

**The Power of Equity:
Private Motivations and Public Implications of Dissolving Affordable Housing
Cooperatives**

By

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Submitted to the Department of Urban Studies and Planning
in partial fulfillment of the requirements for the degree of

Master in City Planning

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

June 2018

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Abstract

From 1955 to 1978, New York City and state subsidized the construction of over 67,000 middle-income, limited-equity cooperatives in the city through Mitchell-Lama—a program often considered one of the most successful efforts to produce affordable housing in American history. By restricting the resale of shares and removing the housing from the open market, limited-equity co-ops allow for the long-term maintenance of housing affordability and make the benefits of homeownership accessible to lower-income individuals than those served by stereotypical homeownership. While most Mitchell-Lama co-ops endure as affordable housing, dramatic increases in housing values in New York City increasingly incentivize cooperators to remove the restriction on the sale of their shares through a collective vote.

Through qualitative interviews and advocacy material reviews at two case cooperatives—Southbridge Towers in Manhattan's Financial District and St. James Towers in Clinton Hill, Brooklyn—this research identifies factors that influence limited-equity cooperators' ultimate decision to vote to remain in the Mitchell-Lama program or to convert to a market-rate cooperative. In doing so, I interrogate what leads individuals to prioritize (or not) collective benefits over individual ones. In addition to considering how cooperators develop a feeling of entitlement to profit realized from publicly subsidized housing or a sense of obligation to future potential recipients of this source of affordable housing, I describe the role that cooperators' understanding of ownership, their experience of internal governance and government supervision, and their perspectives on race and class play in their decision on conversion.

Drawing from the factors identified and outcomes observed in the two case cooperatives, I recommend strategies to preserve Mitchell-Lama cooperatives as affordable housing for cooperators, public officials, and advocates. Given the observed irrelevance of existing financial incentives offered by government to cooperatives to remain in Mitchell-Lama, I pay specific attention to non-financial approaches that address the varied social processes inherent in these explosive debates about who should benefit from public subsidy and to whom the value of housing should accrue.

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Acknowledgments

All large works, especially those that require extending beyond the bounds of what one thought was possible, are collective efforts. I am deeply grateful for my community and the well of support that helped bring this thesis, and the much larger project of graduate school, to fruition. I dedicate this work to you.

To my advisor and mentor Justin, for your steady guidance, for your unwavering belief in this endeavor, and for embodying the engaged, ethical researcher I aspire to become;

To my reader and mentor Larry, for always demonstrating that solid scholarship and good prose should coexist, for giving me the space to realize my ambitions, and for your excitement for this project, enshrined in a poem;

To Ingrid and Mariana, beacons of rigor, for the nudges that moved this along;

To my thesis working group colleagues Danya, Matt, Phoebe, and Reed, for your incisive and vital feedback on this work in its nascency, and to the many other partners in thought at DUSP that kept me going;

To Haleemah, for your grounding presence throughout marked by uncommon kindness, patience, and altruism;

To Cassim and Heather, for the deeply affordable housing and, more importantly, the opportunity to live among mentors;

To Garnette and Carl, for affirming my dreams for this project and checking in;

To Adam and Charles, for turning me on to this conundrum and all its nuances;

To the Ross Silberberg (1990) Memorial Fund for Social Justice and Design, for making the field work feasible;

To Zach, Summer, Lila, Teal, Jessica, Charles, and Asher, for much-needed dispatches of joy from beyond the bubble and a well-trodden path toward excellence;

To Mom and Dan, for the will to finish strong and the humility to identify the gaps;

And to Dad and Jai, for your insatiable curiosity and a penchant for audacious undertakings.

Table of Contents

Abstract.....2

Acknowledgments3

Table of Contents4

Chapter 1: Introduction6

**Chapter 2: The Mechanics and History of Limited-Equity Cooperatives and Mitchell-Lama
in New York City23**

 The Intersection of Public and Private in Limited-Equity Co-ops.....24

 A Short History of Limited-Equity Co-ops in New York City.....28

**Chapter 3: Staying In or Buying Out: The Cases of Southbridge Towers & St. James Towers
.....39**

 A Haven of the Black Middle Class.....43

 Southbridge’s Long, Acrimonious March Toward Conversion.....48

 When Outsiders Come In.....55

Chapter 4: The Construction of Entitlement to Personal Profit from Public Subsidy 60

 Profit, Value, Self-Interest, and Entitlement.....63

 Profiting from Mitchell-Lama.....67

 Right to Profit.....71

 Earned Profit.....72

 Promised Profit.....72

 Arguing for Profit.....74

 Profit as Natural.....75

 Profit for Personal and Familial Purposes.....78

 Profit as Cooperative.....82

 Profit without Responsibility.....85

Chapter 5: Altruism, Empathy, and Future Beneficiaries 90

 Altruism in Theory.....91

 The Prevalence, Viability, and Implications of Empathic Arguments.....94

 Internalizing the Need for Affordable Housing.....99

 The Existence of Altruism and Cooperation.....102

 The Consequences of Leaving Empathy Out.....105

Chapter 6: Ownership, Governance, and the American Dream 109

 Homeownership, the American Dream, and the Cooperative Exception.....110

 The Ownership of Non-Profit Property.....114

 Cooperative Governance in Theory.....119

 Governance in the Time of Conversion.....122

 Undemocratic Governance.....124

 Myopic Governance.....126

Corrupt Governance.....	129
Supervision, Two Ways.....	132
Inept or Detrimental Oversight.....	134
Paternalistic or Coercive Oversight.....	137
The Desirability of Financial Incentives.....	140
Chapter 7: Race, Class, and Conversion	144
On Protections and Reparations.....	147
On Stigmatization and Exclusion.....	151
Chapter 8: Lessons for Maintaining Mitchell-Lama & the Future of American Limited-Equity Co-Ops.....	158
Key Findings.....	161
Profiting from Public Subsidy.....	162
Altruism and Empathy.....	163
Ownership.....	164
Governance.....	165
Race and Class.....	167
A Note on Cooperative Scale and Design.....	168
Recommendations for Preserving Mitchell-Lama Cooperatives.....	169
For Cooperators.....	171
For Supervising Agencies & Public Officials.....	174
For Advocates.....	182
A Note on Article II to XI Conversion.....	185
Recommendations for Structuring New Limited-Equity Cooperatives.....	186
Avenues for Complementary Research.....	188
Epilogue: Southbridge Towers & St. James Towers Today	193
Methodological Appendix.....	203
Case Study Approach.....	205
Data Collection.....	208
Semi-Structured Interviews.....	209
Advocacy Materials Review.....	211
Data Analysis.....	211
Research Limitations.....	212
Exhibit A: Interview Questionnaire.....	213
Exhibit B: Data Analysis Codebook.....	216
References	218

Chapter 1: Introduction

On October 26, 2017, New York City Mayor Bill de Blasio stepped to the mic in the community room of a 326-unit apartment building in Clinton Hill, Brooklyn, accompanied by a drummer. De Blasio had returned to his home borough to announce \$250 million in additional funding for a set of buildings built between 1955 and 1974 and commonly known, in the crowded parlance of affordable housing programs in New York City, as Mitchell-Lamas.

This housing was created years and years ago to be a place for working people to have stable and affordable housing. And it was planned for decades ahead. But it was not planned to be permanent. That was the problem. Mitchell-Lama housing: for years it was great until suddenly the bill came due, if you will. And these buildings started to be threatened and their future, and your futures, your ability to live in your own building, your own apartment—like so many tens of thousands of New Yorkers—was threatened.¹

At first glance, the story is well worn: in this global capital of finance and culture, long-time residents' ability to remain in their homes was at risk, and the city was there to offer some money to correct the excesses of the market. But the setting of the press conference and the particularities of the Mitchell-Lama program complicate not only that assumption but the subtext of De Blasio's address.

¹ De Blasio, “Transcript: Mayor de Blasio Announces New Program to Save City’s Remaining Affordable Mitchell-Lama Developments.”

Ryerson Towers is, contrary to its name, just one tower, nestled between two identical siblings, St. James and Pratt Towers. Each is a distinct housing cooperative built under the Mitchell-Lama program and thus, based on the program's requirements, of the limited-equity variety. Residents of limited-equity cooperatives own shares in a housing company; instead of selling their shares on the open market when a move is on the horizon, residents are required to sell their shares back to the company for the purchase price plus very limited appreciation (determined by the cooperative's bylaws or, in this case, by Mitchell-Lama regulations).

This structure is notable for essentially de-commodifying the housing: as long as the limited-equity form holds, the units in these co-ops exist outside the market; their value is regulated by the co-ops themselves and kept low. One would be hard-pressed to speculate on the value of a limited-equity co-op unit given that there seems to be little profit to be made. Without profit to be made and no mechanism through which to bid up the value of a share, the housing remains affordable. Rather than being traded as a commodity based on the money they can fetch on the market, Mitchell-Lama units are more often valued for their use as homes.

The decommodified nature of limited-equity housing also grants this ownership model stability: shareholders² own their homes, even if that form of ownership is through stocks instead of a specific fusion of four walls and a roof. Like the owners of a condominium, these homeowners pay a monthly maintenance or carrying charge to the co-op to take care of building needs and service any mortgage or other debt the housing company took on. Most residents own their shares outright; borrowing funds to purchase a stake in a Mitchell-Lama is rare, both because of low prices and the

² Throughout this thesis, I will use the terms shareholder, owner, and cooperator interchangeably when referring to the shareholder residents of a Mitchell-Lama cooperative.

lack of lending institutions' familiarity with limited-equity co-ops. After purchasing a share for between \$3,000 (at the time of the co-ops' founding) and \$50,000 (in the 2010s), monthly housing costs for a Mitchell-Lama cooperative in New York City are, at the median, just \$900. Next to the city median monthly rent of \$1,337, Mitchell-Lamas are known citywide for being a great deal on good housing.³

So, what is this threat that De Blasio evokes? The answer can be summed up by the least sexy but arguably most important term in housing and infrastructure: maintenance.

Maintenance, first, of the physical plant of the building. As some Mitchell-Lama developments push 60 years of existence, things begin to break, and on the scale of a whole complex, fixing them can be quite costly. As maintenance costs rise, so must carrying charges or special assessments, thereby threatening the affordability of the co-op—that is unless the cooperative can attract enough low-cost financing to make the major infrastructural investments of new energy efficient windows, the conversion of banging steam pipes, or the repointing of bricks rattled loose by winters compounded. That's where some of the \$250 million that De Blasio touted that October day, run through the New York City Housing Development Corporation, will go: loaned to Mitchell-Lama developments at low rates to refinance existing mortgages, replace other subsidy sources, or fund capital repairs such that the relative affordability of places like Ryerson is maintained. Some cooperatives are more in need of this kind of financing than others; deferred maintenance have left them with major capital repair needs. Others, however, have been arguably better managed and/or were better built, and have invested more steadily in major systems upkeep over time. They are less dependent on

³ US Census Bureau, "New York City Housing and Vacancy Survey (NYCHVS) 2014."

government funds for financing such repairs or are able to handle the higher interest rates of private lenders.

Some co-ops might opt for these market rates and avoid the cheap funding from the city or state because the latter does more than just help keep the cooperatives in good physical and financial health. As a precondition for receiving subsidized financing from government, recipient buildings must sign a regulatory agreement keeping them within the Mitchell-Lama program for another 15 to 20 years.

This second variety of maintenance—the maintenance of the building’s status as a Mitchell-Lama itself—means an extension of income limits on the applicants coming off the waitlist to purchase much coveted co-op shares and the continuation of the resale restrictions inherent to the co-ops’ limited-equity form. Without such a regulatory agreement in place and after paying off its state- or city-sponsored mortgage, a cooperative can choose to leave the Mitchell-Lama program on a two-thirds vote of its members. At that point, the various restrictions built into the program to maintain the affordability of these buildings no longer hold.

The threat that De Blasio is perhaps most concerned about, then, is not the threat from without. It’s the threat of what’s called, in the very political language of Mitchell-Lama debates, conversion, reconstitution, a buyout, or privatization,⁴ brought on by the cooperative owners themselves. It is a threat from within.

⁴ While the terms buyout and privatization might be more frequently used in common conversation around this issue, I will use the term conversion for the duration of this thesis, in large part because it remains the least laden with political meaning of all the terms. However, when paraphrasing quotations of interviewees and quoting directly from interviews, I will maintain the individuals’ preferred terms.

A little over eight months earlier and less than 200 feet away, this threat was manifest. St. James Towers was on the eve of a cooperative-wide vote. The matter at hand was whether to take the next step in the conversion process: to allocate funds toward the creation of the “Black Book,” a hundreds-page-long offering plan that would detail the ins and outs of what leaving the Mitchell-Lama program and converting to a market-rate co-op would mean for St. James residents. Many of the same elected officials that would flank Mayor De Blasio months later in the Ryerson community room—New York City Public Advocate Letitia James and local councilwoman Laurie Cumbo among them—stood behind a temporary lectern in the co-op’s playground to proclaim their opposition to St. James’ crawl toward conversion.

St. James Towers had at that time checked all the boxes necessary to be allowed to exit Mitchell-Lama. In November 2016, the cooperative voted to authorize the expenditure of funds toward the preparation of a feasibility study of conversion, the first step in the process. Most importantly, the city mortgage was paid off. And despite existing financing needs and others soon to come—among them a sinkhole in the parking lot that separates St. James from Ryerson—the co-op’s board of directors had rebuffed the city’s financing offers precisely because a majority wanted the cooperative to convert. The board’s pro-conversion⁵ members would go to great lengths to avoid the new lock-in period such financing would carry.

⁵ I will use this term to refer to cooperators who wished to leave the Mitchell-Lama program and convert to a market-rate co-op for the duration of this thesis. Few shareholders used this terminology, but the alternatives are more political or less accurate in their meaning. For one, pro-buyout refers to buying out of the development’s subsidized mortgage, which does not necessarily require conversion afterward. Pro-privatization is considered inaccurate and biased by some pro-conversion shareholders, while other use that terminology for themselves.

This group of St. James cooperators bristled at the characterization of their efforts toward conversion as a threat to their neighbors or a money grab driven by greed. Yes, individuals who had purchased their shares for as low as \$3,000 thanks to public subsidy would be able to sell them in the red hot open market of Brooklyn real estate for upwards of \$1 million if the co-op converted. Yes, the enduring forms of government subsidy—large property tax abatements, low cost financing—that help keep costs low would be lost, likely causing carrying charges to rise in the medium- to long-term. But as for the existing shareholders, the co-op’s share of any sale proceeds would offset the loss of subsidy for the time being, keeping their monthly costs low. No one would be kicked out. St. James Towers would endure.

The pro-conversion faction within St. James Towers took their inspiration, and their assurances to existing shareholders that any change in the nature of the cooperative would not put them on the street, from a much larger cooperative across the river. Southbridge Towers is, unlike the singular tower of 326 apartments of St. James or Ryerson, a grouping of many towers holding 1,651 units. Once the only residential development in the Financial District, luxury residential sculptures designed by the likes of Frank Gehry now gleam alongside the iconic arches of the Brooklyn Bridge seen from Southbridge’s utilitarian balconies. After a nine-year march toward conversion, the vote for “Yes” to leave the Mitchell-Lama program surpassed the needed two-thirds of cooperators by a mere 10 votes (out of 1,458 cast) in 2014. By all accounts, the carrying charges of Southbridge cooperators have not increased since then; it remains affordable for the approximately 1,330 original households that remain. For new families looking to move in, however, not so much: as of April 2018, apartments at Southbridge Towers had sold on the open market for as much as \$1,550,000.

By the time De Blasio made his address in October 2017, 132, or almost eight percent, of shareholders at Southbridge Towers had sold their shares. As of April 2018, another 138 shareholders have sold. Across the river at St. James Towers, the dreams of some members of the pro-conversion group to do the same had been momentarily dashed. The vote for the creation of an offering plan to convert had failed; any move toward a non-Mitchell-Lama St. James would have to start from the beginning, with another feasibility study. The cooperative's status as a limited-equity cooperative had been maintained, at least for the time being. This thesis will explore the divergent conversion campaigns of Southbridge Towers and St. James Towers and the debates and contexts that drove them.

SBT COOPERATORS FOR MITCHELL-LAMA



P.O. Box 445, NY, NY 10022

Dear Friends:

Please be advised that SBT Cooperators for Mitchell-Lama have requested a complete audit of the voting procedures used in the recent referendum with particular attention given to an in-depth examination of how proxies were handled. Questions arise regarding verification of ballot signatures and barcode cross-referencing. Voting procedures and methods, and criteria applied to disqualify voters are also areas of concern.

We believe a more precise breakdown is required, such as the number of 'yes' and 'no' votes cast in person and the number of 'yes' and 'no' votes cast by proxy.

While we are aware that a denominator of 1072 votes was established as the number of voters needed to pass the resolution, we would like to know how that number was calculated.

For some, the narrow margin (10) is too close for comfort; and for others, so close it should be questioned.

DHCR is conducting an in-depth review; we are poised to proceed with a legal approach should our attorney, Barry Mallin, Esq. and other consulting attorneys find reason to do so.

Should there be a decision to proceed with legal recourse we will have to again rely on your generous support for what can be an expensive legal process. We will be suggesting contributions of at least \$100.00 per shareholder. Stand by for a more formal request should litigation be required.

We shall keep you apprised.

Figure 1: A flyer from pro-Mitchell-Lama Southbridge residents calls into question the validity of the final vote

St. James Towers' 326 units may not appear large in context of the need for affordable housing in New York City or even up against Southbridge's 1,651 apartments. But these losses add up, and the case of Mitchell-Lama rental housing demonstrates how crucial every unit is seen in New York's attempt to remain accessible to individuals with a diversity of incomes. While close to 10% of co-op units have left the Mitchell-Lama program (leaving 60,650 cooperative units in the portfolio), the stock of Mitchell-Lama rental units has been decimated: over 50% of Mitchell-Lama rentals have departed.

The same Mitchell-Lama law that led to the construction of limited-equity co-ops also spurred the construction of a similar—and significant—number of affordable rental units. Almost 68,000 of these rental units were built in New York City at the same time over 67,000 co-op units in places like Southbridge, St. James, and Ryerson were going up. For comparison, under Mayor De Blasio's current housing plan—arguably the most ambitious one in New York City's history—the city hopes to spur the construction of 120,000 new units by 2026. Without the preservation of existing affordable units built through programs like Mitchell-Lama, any new construction completed by the city is just catch-up; progress toward the goal of stably housing the New Yorkers struggling with rent remains similarly if not increasingly distant.

Indeed, preservation of existing affordable housing makes up a much larger share of New York City's strategy for maintaining affordability than new construction. The city hopes to build or preserve 300,000 affordable homes by 2026. 60% of that, or 180,000 units, is predicated on

preserving affordability that already exists, like that provided by Mitchell-Lamas. The \$250 million announced by De Blasio as part of this initiative is targeted at the preservation of 15,000 Mitchell-Lama units, mostly on the co-op side of the program.

Preservation of Mitchell-Lama rental units has proven much more difficult than keeping Mitchell-Lama co-ops in the program, in large part because of different incentives for the owners and an easier path toward removing rentals from the program than for co-op conversion. Mitchell-Lama rental developments are owned and governed not by their residents but by a different kind of housing company, one married to profitability from rents rather than the different logic of investing in a collective home. Where internal debate and voting on the future of a Mitchell-Lama co-op must occur among residents, the owner of a Mitchell-Lama rental need only decide that it would like to exit after meeting all program obligations, foregoing subsidy in order to charge any rent the market will bear.⁶ There are no votes; there is only unequal debate over whether existing tenants might be able to negotiate extended protections from the owner, usually contingent on additional government support.

The endurance of the affordability of co-op units next to the large losses of Mitchell-Lama rentals is one of many reasons housing advocates and policy-makers consider limited-equity housing cooperatives to be a particularly attractive tenure type for ensuring the long-term affordability of units. The longer the term of affordability you can get out of initial subsidy investment means the less money needs to be allocated toward locking units into additional periods of affordability.

⁶ Existing tenants do retain some protections when a rental property leaves the Mitchell-Lama program. If the building was constructed prior to 1974, original tenants' rents are treated like those in a rent stabilized building and raised at whatever rate approved annually by the city's Rent Guidelines Board. If built in 1974 or after, rents can immediately rise to market-rate prices.

Furthermore, maintaining existing affordable units is generally far cheaper than building new units, especially in a place like New York City where land and construction costs are particularly high, and preservation can be achieved (ostensibly) by offering loans that are eventually repaid.

The value of maintaining Mitchell-Lama units also stems from location. Whereas these buildings were largely located in areas of the city in need of investment in the mid-1950s through mid-1970s, many developments—Southbridge Towers and St. James Towers included—now find themselves in rarer company as affordable housing in their neighborhoods today. The rapid appreciation in the value of residential real estate in neighborhoods like the Financial District and Clinton Hill (where Southbridge and St. James respectively are located) makes the affordability of those units even more valuable, especially if neighborhood safety, health, and the performance of schools improve as well. These areas, once considered undesirable, are now areas of displacement risk for lower income residents just as they become (arguably) more opportunity-rich.

The real estate appreciation driving this, of course, also underlies the movement among some Mitchell-Lama cooperators to convert. As shareholders in a limited-equity co-op, the value of their units is largely shielded from the whims of the market, bull or bear. If converted to market-rate co-ops, the value of individual shares in the housing company would no longer be set by an internal, rule-based formula but by the willingness of an outside buyer to pay. In the currently high-flying world of New York City real estate, co-op residents almost exclusively see the value of their shares as a perpetual upward swing, were they to be sold on the market. Ironically, some Mitchell-Lama co-ops, specifically structured as limited-equity co-ops to prevent their use as an investment or an object of market speculation, now look to some cooperators like the best investment they could have ever hoped to make. Through public subsidy, residents were able to buy in at low prices;

through self-governance they can remove the restriction limiting them from profiting off that subsidized housing when the price investors are willing to pay for New York real estate ascends ever higher.

Understandably, housing officials and community development advocates fear a widespread loss of this important stock of affordable housing in the context of a regional housing crisis. Some cooperators share this concern and see conversion as a moral betrayal of the spirit of the program. After availing themselves of this public benefit, they say, cooperators should maintain the resource for other families like theirs who cannot find comparable housing at affordable prices in the city. To walk away with a windfall from selling a unit built by public subsidy is, to them, comparable to stealing from the government; the benefit of the program was provided to them up front in the low cost of housing, from which further wealth could be built.

Other pro-Mitchell-Lama⁷ cooperators are more concerned with the financials, viewing conversion as a hasty, short-sighted move that will only benefit those cooperators who want to sell and move while harming those who want to remain. The pro-Mitchell-Lama cooperators who wish to stay fear the insertion of their homes into the market and the loss of public subsidy that will lead to increased carrying charges in the medium- to long-term. These cost increases stem from a number of sources.

⁷ I will use this term to refer to cooperators in favor of remaining in the Mitchell-Lama program throughout this thesis, in large part because the term is used by both those shareholders and their pro-conversion counterparts. However, in some sense all cooperators I spoke with expressed “pro-Mitchell-Lama” views, in that they were ardent fans of the program; pro-conversion shareholders were always in favor of additional Mitchell-Lama housing despite their desire to no longer maintain their co-op’s status within the program.

The first is the increase in real estate taxes. As a Mitchell-Lama development, co-ops are charged the shelter rent tax which is calculated at 10% of the co-op's operating expenses, saving the co-op 75% to 90% on their taxes compared to a market-rate co-op.⁸ Following conversion, the co-op transitions into paying their full property taxes over five years. The basis on which this tax is levied—the valuation of the co-op—will also increase as residents are able to sell their units on the open market, increasing their market value. Upon conversion, the tax rate and the taxable value of a former Mitchell-Lama co-op increases dramatically.

In addition to tax increases, financing costs will also likely increase. To convert, co-ops must pay off their subsidized mortgages. They can do this by either doing so in full (as St. James did) or by refinancing the mortgage with a market-rate loan, likely at a higher rate. Servicing this debt can increase monthly costs for cooperators; the long-term cost of this debt is especially high if the initial subsidized mortgage was structured with a balloon payment—a very large proportion of the loan due at the end of the mortgage term—as many loans to city-financed Mitchell-Lama co-ops were. A hefty market-rate mortgage can saddle cooperators with increased debt payments deep into their tenure as market-rate shareholders; add to that the market-rate loans they'll have to take out to deal with other building needs in the future, rather than availing themselves of subsidized capital repair loans from the state or city.

Finally, Mitchell-Lama co-ops lose a small source of revenue when they convert as well. Those shareholders whose incomes rise above the initial program thresholds following their purchase of a co-op share must pay a monthly surcharge to the co-op. Upon conversion, these income limits and

⁸ Cooperators United for Mitchell-Lama, "Mitchell-Lama Basics: What Every Mitchell-Lama Shareholder Should Know."

surcharges disappear. Converted Mitchell-Lama co-ops depend on flip taxes of 25-35% on the first sale of shares following conversion to offset this loss of subsidies and revenue, but advocates are quick to point out that this revenue will inevitably run out once all the units have sold once (or will never materialize if the number of expected sales does not occur). Without flip taxes to cover increased costs, co-ops must raise monthly carrying charges or levy special assessments on their shareholders to cover routine operational and inevitable capital costs.

These rising charges might ultimately leave longtime middle-income residents with no choice but to sell out of the cooperative because they can no longer cover costs. For folks on fixed-incomes with no desire to move, sitting on an expensive asset with increasing monthly costs and no new income to cover it means displacement. It's akin to low-income homeowners with newly valuable real estate being forced to sell and move because their property taxes skyrocket. For those who sell, pro-Mitchell-Lama cooperators also claim that after all is said and done, one would not have enough money to purchase a decent home in the same general location, forcing a move away from the city. The move to convert is seen as too risky, a sentiment seen in some of the slogans on the pro-Mitchell-Lama side:

“Doubts? Vote NO! Leaving Mitchell-Lama is permanent; privatization can be raised again”, and

“Mitchell-Lama = Security <> Privatization = Speculation.”

Many other shareholders, however, expect to make a windfall if their co-ops convert and they sell their units on the open market, effectively turning long-term public subsidy into significant private wealth. As this is legally allowed by the program rules, some cooperators view conversion as their

right; no matter their opinion on the importance of affordable housing, any form of government intervention to try to influence what is ultimately a decision of the cooperative body is regarded as an affront to democratic process and self-determination.

JUST THE FACTS
ISSUE # 6

Mitchell-Lama = Security <> Privatization = Speculation

Security

- As a Mitchell-Lama maintenance increases averaged only 2.4% since 1984.
- SBT has been protected from real estate and stock market booms and busts.
- As a privatized co-op we would have no protection and would have to rely on Transfer Fee income, which is "**wholly speculative in nature**" (p. xviii) to pay the higher expenses of a privatized Southbridge.

Loss of Succession to Family Members

- As a Mitchell-Lama, if you move or die, family members who have been living with you for two years can succeed to your apartment.
- As a privatized co-op you can bequeath your apartment only to your adult child who has been living with you for two years prior to your death. Even then, the beneficiary must be "approved by the Board of Directors or will be required to sell the Shares..." (p. xviii) and pay the 33% transfer fee.

Maintenance Increases

- 63%, 74% or 90%+ increases to make up for increased real estate taxes, loss of surcharge income and mortgage for the Real Property Transfer Tax (p. 196, Note 1).
- \$5,654,170** additional per year in operating income for real estate taxes, corporate taxes, substitute SCRIE benefits and loss of surcharge income. If we have to pay Real Property Transfer Tax, the loan to pay it would add \$1,687,000 more per year, resulting in an annual **operating increase** of at least **\$7,341,170**.

Quality of Life: Stability vs. Transiency

- Currently, SBT is an entirely owner occupied stable community.
- As a private co-op 1/3 "of the Apartments may be occupied by non-owner occupants..." (p. x). Shares of these apartments "will initially be owned by the Apartment Corporation [but] may thereafter be sold to an investor..." (p. 333).
- After the renter moves or dies, by law, investors have the right to rent them forever without board approval of the tenant, and without paying sublet or transfer fees. If investors such as a university or hospital buy a substantial number of these apartments our quality of life will be impacted by a transient population of students or employees of the investor.

Doubts ? Vote NO!

Leaving Mitchell-Lama is permanent; privatization can be raised again.

SBT Cooperators for ML, PO Box 445, 114 John Street, NY, NY 10272

Vote for Privatization for the Benefit of Those You Love
A Rare Opportunity at Southbridge - THE POWER OF EQUITY

Most financial planners would agree that the goals of home ownership, college, business ownership, retirement, long-term care and estate-planning are among the major concerns of most people today. You might say that to achieve even one of the above goals would be to live the American dream.

By voting to accept the equity in your apartment one becomes both prosperous and financially secure. This is a once-in-a-life time opportunity to help you reach your goals. Home ownership is the American Dream and it is encouraged by our government through income tax benefits. The idea of leaving property which you own to a stranger on a wait list is archaic, outdated and foolish. Estate planners help people arrange their possessions so that they are passed down to those they love and care for. The threats of massive increases in maintenance are based on completely unrealistic notions that apartments won't sell.

It would take the average person a lifetime to accumulate this amount of money. Doing basic math one must deposit \$1,200 every month for THIRTY YEARS (at current interest rates) to accumulate \$500,000. By voting "YES" to privatization, you accomplish in one moment what would take thirty years to do! Compare this to someone else who wants to buy a home worth \$500,000. They would have to take a 30-year mortgage, and their monthly payment to pay off the loan is \$2,533 at 4.5% and would cost them \$412,000 in loan interest. You would acquire this \$500,000 without any of this!

You already own your apartment. These numbers are mathematically accurate, and are not open to interpretation. **These numbers prove that voting FOR privatization and having your apartment instantly paid off in full is the only logical option to choose.** Can you really afford to turn this opportunity down? Don't let politically motivated cooperators rob you of your dreams.

The point is you have instant equity upfront which beats any known investment you will ever make in your life and IT WON'T COST YOU A SINGLE PENNY!

You could access the benefits of this instant equity immediately under privatization, whether through a home-equity loan or sale. **You may need this money to help yourself and/or your family in the future!** For those who have no family, the equity from privatization can provide a means for you to live out your elder years in dignity and independence when you can no longer survive on your own. **The cost of elder care is prohibitive - NOT paid for by Social Security- and thus the equity in a privatized Southbridge will provide you enormous benefits and security for better care in your golden years.**

"A vote for privatization is not the selfish wish of a greedy individual but the wise decision of an intelligent, knowledgeable, thoughtful and loving person."

D. Levine

Figure 2: Pro-Mitchell-Lama (left) and pro-conversion (right) flyers from Southbridge Towers exhibiting different arguments around the co-op's future

One might expect co-op conversion to be a foregone conclusion or only a matter of time given the strong profit motive associated with leaving the affordability restrictions of the Mitchell-Lama program behind. But as the numbers previously noted show, this exodus of co-ops from the program has not, so far, materialized. Many co-ops remain committed to the program, bound by regulatory agreements with their supervising government agencies, either out of the utility of low-cost financing and the value of tax abatements or belief in maintaining this source of affordable, middle-income housing—or some combination of the two. Still others—as many as six representing

2,350 units at the time of this writing—are in the process of exploring or actively pursuing conversion.

By digging into the divergent conversion debates of Southbridge Towers and St. James Towers, this thesis seeks to identify some of the salient factors that influence limited-equity co-op members' ultimate decision to vote to remain in the Mitchell-Lama program or to convert to market-rate cooperatives. In interrogating this muddled picture of why co-op members choose their ultimate side, this research further questions what leads individuals to prioritize (or not) collective benefits over individual benefits. Cooperators have the power to remove the affordability mechanisms from publicly subsidized housing; this investigation will include how a sense of entitlement to profit and a sense of obligation to potential recipients of future affordable housing are shaped among these cooperators and how that affects their decision. Further attention will be paid to how cooperators conceive of ownership and the role governance plays in their decision.

While other co-ops have left the Mitchell-Lama program a la Southbridge Towers and other Mitchell-Lama co-ops have proceeded along the path toward conversion only to vote to remain in the program like St. James Towers, these two cases were chosen for their similarities in two regards: similar expected market values for their units at the time of each co-op's ultimate vote and similar interest rate environments for mortgages as of the time of those votes.⁹ Holding these variables as constant as possible within a somewhat limited universe of cases stemmed from a desire to control for expected profit among shareholders and how attractive the subsidized financing of supervising agencies might appear next to market-rate loans. Despite these controls, the two cases differ in

⁹ Please refer to the Methodological Appendix for a full accounting of the case selection process and other methodological decisions in this study.

important regards, among them differences in demographics, the regulatory agency that supervises each development, and their size.¹⁰

The experiences and thought processes of Southbridge and St. James cooperators that underlie how they made their decision on conversion will be addressed thematically. To understand these perspectives, the history and mechanisms of the limited-equity co-op, and those particular to co-ops of the Mitchell-Lama variety, will be addressed in Chapter 2, followed by the place and organizational environments of Southbridge and St. James in Chapter 3. Following these contextual chapters, Chapter 4 will tackle the ways cooperators come to feel entitled to personal profit from public subsidy. Chapter 5 considers the arguments that counter the pull of profit, specifically those centered on empathy for future possible beneficiaries of Mitchell-Lama housing and the existence of cooperative and altruistic decision-making in the conversion debates. In Chapter 6, I will further delve into cooperators' construction of ownership in the context of ideas of profit and conceptions of the American Dream, as well as the interaction between co-op level governance and supervising governmental agencies in cooperator's ideas of ownership and control. To round out this investigation of cooperators' motivations in conversion debates, I will delve into racial and class dimensions of these debates in Chapter 7.

With a better understanding of the factors that go into cooperators' decisions on the future of their homes, Chapter 8 presents conclusions for how Mitchell-Lama cooperatives might be maintained and how other limited-equity co-ops can learn from this program's trajectory to ensure that the promise of long-term affordable housing is realized.

¹⁰ See Chapter 3 for a table summarizing some of these differences.

Central to the debate around the future of Mitchell-Lama cooperatives is just what that promise was. As De Blasio closed his celebration of new public dollars to keep both the internal and external threats to Mitchell-Lama at bay, he pointed to the drummer backing him up: “I want my brother the drummer ready—get ready, okay? Because as we conclude ... the credit goes to the people who stood up for years and years and made Brooklyn great.”

Now, some of those people want to cash out; indeed, they feel it is their right to do so. But some of their fellow cooperators have a different vision of what a great Brooklyn and greater New York City might look like: one accessible to middle-income individuals such as themselves. This arguably public vision begins inside the private government of the housing cooperative.

Chapter 2: The Mechanics and History of Limited-Equity Cooperatives and Mitchell-Lama in New York City

Two and a half months after the celebration at Ryerson Towers in Clinton Hill, Brooklyn, the mood among those in city government concerned with the future of Mitchell-Lama was decidedly different. On January 12th, 2018, a fire broke out from a halogen lamp on the 11th floor of Dayton Beach Park, a Mitchell-Lama co-op in Rockaway Beach, Queens. 91-year-old resident Ethel Davis passed away from smoke inhalation, and four fellow cooperators, nine police officers, and three fire fighters were injured before the blaze was controlled.

Two days later, elected officials gathered at the complex, across the street from the beloved boardwalk. It was a Sunday, and the officials were keen to use their bully pulpits to move the discussion from the fire's immediate cause to its supposed roots.

State Assemblywoman and Dayton Beach Park resident Stacey Pheffer Amato first ran the blame up to the management and co-op board: "As a shareholder I am terrified, as an elected official I am disgusted. Something is not right. ... I have expressed concerns regarding the absence of annual apartment inspections within DBP, as well as management and board of director issues. ... This fire was an incident waiting to happen."

State Senator Joseph Addabbo ascended the next rung: "if the collective voices of the buildings' tenants were heard, a person would be alive today. The city needs to do a better job with inspections and working with management companies."

Local newspaper coverage of the press conference would perpetuate the suspect assumption that an apartment inspection would have prevented the accident and, most notably, reflect this last assertion of responsibility:

“Calling Out HPD For Lack of Oversight in Wake of Deadly Fire” — *Queens Gazette*

“Following Fatal Rockaway Beach Blaze, Pols, Shareholders Blast HPD over Lack of Promised Building Inspections” — *The Forum*

“HPD to blame in fatal Rockaway blaze: Electeds” — *Times Ledger*

HPD—the New York City Department of Housing Preservation and Development—would apparently shoulder the public responsibility for this tragedy by the sea.

The Intersection of Public and Private in Limited-Equity Co-ops

The implication of HPD as responsible for the fire speaks to the complex and often misunderstood relationship between the public governments of the city and state, the private governments of the co-ops, and the private service providers that keep Mitchell-Lama co-ops running.

As Assemblywoman Pheffer Amato suggested, housing cooperatives are private companies with elected boards of directors drawn from their residents; like any other private company, these directors have a fiduciary duty to the company and are its governing body. Unlike other private companies, the board is made of lay people, volunteer residents that do not necessarily have any expertise in running a large housing development. In short, they are in charge; they are responsible;

and they are often untrained. Accordingly, the board contracts out development operations, including city- or state-mandated apartment inspections, to a private management company.¹¹ (Ironically, some cooperators' annoyance with annual apartment inspections was an argument for conversion at Southbridge Towers, though the practice continues even now that it's gone market-rate).



Figure 3: Signs at the entrance to the St. James Towers parking lot (with Ryerson Towers in the background) enforce the private nature of the cooperative.

Just like all other private companies, the housing cooperatives are also subject to government oversight. In this case, Dayton Park Beach received the subsidized mortgage that supported its creation and long-term affordability from New York City rather than New York State; accordingly, the city's Department of Housing Preservation and Development (HPD) is its supervising agency.

¹¹ In some cases, cooperatives employ managers and other staff (maintenance, security) directly through the housing company.

(If New York State provides the financing, the state’s Department of Homes and Community Renewal, DHCR for short, acts as the supervising agency.)

The interaction between the private company that is the housing cooperative, run by the private government of the board of directors elected by its shareholders (the residents), and the public government of the city is, however, much more intimate in Mitchell-Lama co-ops than with their market-rate cousins. Mitchell-Lamas would not exist without the state’s or city’s active involvement, and supervising agencies still exercise significant control over key aspects of co-op operation, not the least the system by which aspiring cooperators may eventually become Mitchell-Lama residents. These close ties between cooperators and government, and the continued subsidy the city and state provide to Mitchell-Lamas, also bring greater oversight than HPD has over other housing in the city—rules that measure an inch and a half thick by one HPD official’s estimation. Hence Senator Addabbo’s pinning of the cooperative’s failing to properly inspect apartments on HPD.

The newspapers’ implication of the city agency as bearing some responsibility is not wholly incorrect, but their absolution of the cooperative itself in the responsibility for the fire is striking: Assemblywoman Pheffer Amato’s acknowledgement of the board’s and management company’s responsibility is erased. It is as if HPD owned and operated the building and the residents of Dayton Park Beach were its tenants. Addabbo’s characterization of the building’s residents as “tenants” is, again, not technically incorrect,¹² but it also makes them out to be victims of a negligent government

¹² In a cooperative, shareholders own shares in a housing company rather than a particular unit. Ownership of shares entitles the shareholder to lease a unit from the housing company through a “proprietary lease” that’s automatically renewed unless the cooperator does not pay carrying charges or otherwise followed cooperative rules. Thus, shareholders in a cooperative are often called a tenant-cooperators.

landlord rather than casualties of a negligent board of directors and management company—both of which cooperators chose and which work at their behest.

This muddled picture of responsibility, ownership, and governance—inside the cooperative and in interactions with supervising agencies like HPD—is central to understanding the debates around conversion in Mitchell-Lama cooperatives. In times of crisis or when the board of directors isn't doing something to cooperators' liking, the supervising agency becomes an easy target for blame.

But the narrative flips in the case of a conversion: those in favor of leaving the program consider a supervising agency to be an obstruction to their will as owners of the co-op. A flyer distributed by St. James Towers cooperator Lawrence Whiteside claims "HPD should be 'neutral,' not adversarial in the decisions M-L co-ops make." It should, according to Whiteside, get out of the way.

The supervising agency becomes Goldilocks perpetually in search of just the right amount of oversight in its regulation of a private, self-governing housing company—buffeted back and forth by cooperators and politicians who see it as too heavy handed or not heavy handed enough. The public-private tension is further in evidence in the very terminology used in the conversion debates: many cooperators, on both sides of the issue, refer to conversion as "privatization." Among pro-Mitchell-Lama cooperators, this term encompasses the feeling that conversion betrays the public interest. Among some pro-conversion cooperators, it captures the removal of governmental intrusion. But it's also considered a mischaracterization: the co-op is already a private entity, and cooperators on either side see bias in the term that supports the viewpoint of their opponents.

These dynamics are not simply an outgrowth of competing visions of what government should do, how “big” it should be, or the particular legal nature of the housing at hand; rather they also illuminate key tensions between the American ideal of private property and common-interest housing—a catch-all term for arrangements such as cooperatives, condominiums, and homeowner associations in which owners collectively govern property held in common. Cooperatives, in which ownership of the entirety of the development is shared, is at one extreme of common-interest housing—indeed, the farthest one from the stereotypical vision of American homeownership in which one has full control of whatever happens on private property (within applicable laws), including the sale price at which it might change hands. Limited-equity co-ops like those built through Mitchell-Lama take an additional step away from that vision.

While condos and homeowner associations are now ubiquitous across the United States,¹³ cooperatives have remained more limited in geographic reach and number of units, in part because of the confusion they wreak among Americans for whom a single-family home financed by a mortgage or an apartment rented from a landlord are the only forms of tenure with which they are familiar. The scope of limited-equity cooperatives is, unsurprisingly, even smaller. But onto whatever shores these ripples of cooperativism lap in the US, the initial pebble is clear, as is its first point of contact with the US housing market: Sunset Park, Brooklyn.

A Short History of Limited-Equity Co-ops in New York City

¹³ According to the industry group Community Association Institute, 21.3% of US residents lived in a homeowner association, condominium, or cooperative as of 2016, though they believe this to underestimate the scale of common-interest housing.

Almost half a century before Dayton Beach Park and other Mitchell-Lama co-ops rose in the five boroughs, the European import of limited-equity cooperative housing made landfall just inland from the docks of South Brooklyn. In 1916, a group of 16 Finnish immigrants opened Alku, a four-story walk-up with a five-room apartment for each family—and the first limited-equity cooperative apartment building in the United States.¹⁴ The Finns behind Alku and their counterparts from various Scandinavian countries would within the decade expand their reach, operating upwards of fifty such cooperative buildings across Brooklyn and reaching into Manhattan.¹⁵ Beyond being built for affordability, the cooperatives spreading throughout Finland and elsewhere in Europe—then imported to the US—were also part of a larger, international cooperative movement centered around the Rochdale Principles, a set of guidelines for the operation of cooperatives that include open membership and democratic governance.

The Finnish success story with limited-equity co-ops was mirrored in the concurrent growth of “full”-equity luxury developments targeted toward upper classes, pioneering expensive living in multifamily developments. While the first luxury co-ops had been developed in New York as early as the 1880s, the financial structure had remained tenuous, causing many to fail in early years and constraining the tenure type from becoming mainstream. Only in 1920s with the entrance of savings-and-loan banks into housing finance did market-rate cooperative housing scale and expand to a variety of classes.¹⁶ Much of this cooperative housing had no link with ideological stances typified by Alku, such as limiting profit, or the more social motivations of co-ops that would arise later on. In fact, the control afforded by collective homeownership, rather than abet the kind of

¹⁴ Lasner, *High Life*, 94.

¹⁵ *Ibid.*

¹⁶ Lasner, 92.

inclusivity arguably embedded in programs like Mitchell-Lama, instead promised retreat and protection from the wider city. The creation of market-rate co-ops was far more about living in pragmatic shelter than acting out a set of values.

The turn of the cooperative toward housing for explicit social purposes began with progressive Jewish groups in the mid- to late-1920s. These left-wing groups, some with explicitly socialist missions, created co-ops like the neo-Tudor Shalom Aleichem Houses to the west of Van Cortlandt Park in the Bronx to cultivate a secular Yiddish culture by providing artist studios, lectures, performances, and a common cafeteria fit for schmoozing and kvetching.¹⁷ Such cooperatives advanced a vision of housing as a platform for the ideals of labor unions and cultural and intellectual advancement, but they remained relatively small. But the socialist leanings that underlay these cooperatives were also reflected in significant housing organizing at the time (which organized strikes to demand rent controls) and the extension of the role of the labor union into arenas outside the workplace.¹⁸ The limited-equity cooperative model only inched toward its current scale when unions, in coordination with Abraham Kazan and the United Housing Foundation, directly entered the housing development business to serve their members and imbue dwellings with a sense of solidarity similar to that cultivated on the shop floor.^{19,20}

Without Kazan, it's hard to imagine limited-equity cooperative housing becomes so ubiquitous in New York. This Ukrainian socialist-turned-anarchist believed a cooperative economy superior to the

¹⁷ Historic Districts Council, "Shalom Aleichem Houses | Historic Districts Council's Six to Celebrate."

¹⁸ Lasner, *High Life*, 98.

¹⁹ Bloom and Lasner, *Affordable Housing in New York*; Lasner, *High Life*; Freeman, *Working-Class New York*.

²⁰ This notably diverges from the trend Ira Katznelson identifies in his book *City Trenches*, where he notes the confinement of union politics to the workplace. The view of workplace and community politics as distinct spheres among the working class led to community issues tied to broader economic issues going unaddressed.

capitalist status quo and saw the creation of cooperative housing as a key element in this vision; he's credited with creating 40,000 units still in operation today. Through the United Housing Foundation, backed by a huge labor base and thus a major political force, Kazan worked closely with New York City and state government (including infamous power broker Robert Moses) to facilitate this construction.²¹ The passage of the Limited Dividend Housing Companies Law of 1926 supported their plans by providing tax abatements to housing companies that limited their profits; this, paired with the Title I slum clearance program created through the federal Housing Act of 1949, and the provision of cheap, cleared land to developers composed the secret sauce behind limited-equity co-ops' mammoth presence in New York City housing. Birthed by way of Kazan's union-backed UHF, the city's major Mitchell-Lama predecessor co-ops went up across the city, from Penn Station South in Manhattan's Garment District to Seward Park Houses on the Lower East Side. While these large-scale affordable cooperatives were groundbreaking in many senses, their reach was limited; the program had only modest success at producing significant numbers of units.²²

The Limited Profit Housing Companies Law of 1955—what's come to be known by the last names of the state legislators that sponsored the bill, MacNeil Mitchell and Alfred Lama—replaced its 1926 forerunner with more generous and more direct support for the creation of low-cost co-ops and rentals targeted at middle-income individuals. These individuals suffered from the “missing middle” challenge of their day: incomes too modest to easily afford solid housing on the market but too high to avail themselves of most rental subsidy programs (namely, public housing).²³ In the case of the co-ops, caps on the resale value of units, low purchase prices, and reasonable carrying charges were

²¹ Bloom and Lasner, *Affordable Housing in New York*, 168.

²² Lasner, *High Life*, 43.

²³ Botein, “New York State Housing Policy in Postwar New York City”; Freeman, *Working-Class New York*.

required in exchange for low cost financing and generous tax abatements. Housing historian Matthew Lasner calls it “the most ambitious program of its kind in US history.”²⁴

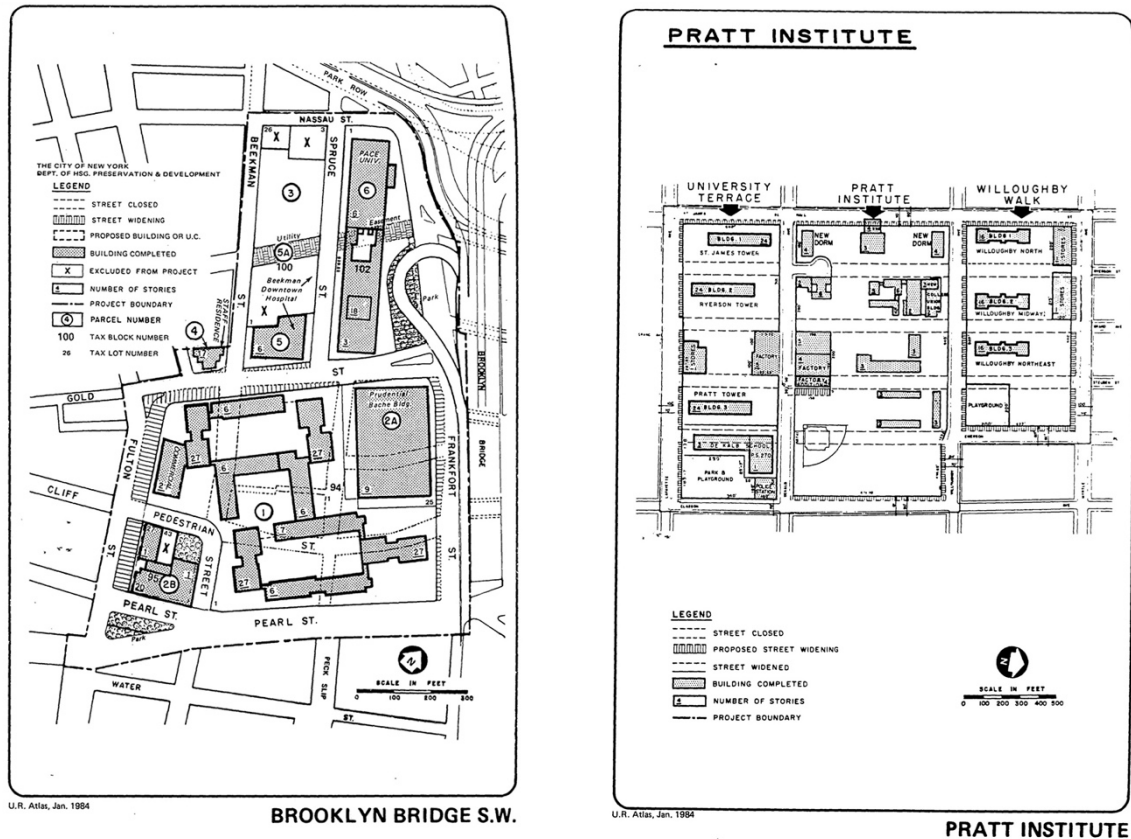


Figure 4: Urban renewal schemes featuring Southbridge Towers (left) and St. James Towers (right)

The ambition was not just to produce affordable housing. As middle-class families were wooed out of the city along new interstates to new homes financed with cheap, subsidized mortgages, Mitchell-Lama was conceived as an urban counterweight to suburbanization and white flight by offering fleeing, largely White families the financial benefits of homeownership in new subsidized housing.²⁵ Like the major union-backed co-op projects of preceding years, developments built under the

²⁴ Bloom and Lasner, *Affordable Housing in New York*, 144.

²⁵ Botein, “New York State Housing Policy in Postwar New York City.”

program similarly benefited from Title I slum clearance. The public subsidy behind the new developments were in these cases two-fold: site provision and preparation (especially crucial for some of the large-scale developments) and the tax abatements and subsidized financing provided under Mitchell-Lama. This pairing reveals an additional motivation of the program that's less recognized: the mechanism to keep middle-class families in the city was in some cases predicated on removing the populations and neighborhoods considered undesirable or blighted to lay the groundwork for urban revival. Southbridge Towers is a product of Mitchell-Lama and the Brooklyn Bridge Southwest Urban Renewal Area; St. James Towers and Ryerson Towers' other parent is the Pratt Institute Urban Renewal Area.

Union-backed developers like the UHF, whose primary objective was to provide affordable housing to their members, made up the majority of the original developer beneficiaries of Mitchell-Lama. While they were not inclined to earn more than the program-capped six percent return (the limited profit alluded to in the law's official name and one of the mechanisms to create housing affordability), other developers were not as keen to build without making more—or at least without having the opportunity to make more in the future.

At the outset, co-op and rental developments built under Mitchell-Lama were required to be affordable to middle-income individuals (based on income limits set by the state and city) in perpetuity. In the terminology of affordable housing today, Mitchell-Lamas would be permanently affordable. Co-op conversion was not an option; owners of rental buildings would never be able to charge as much for rent as the market would demand. For rental developers, this arrangement wasn't particularly attractive. Limited-equity advocates that pushed the Mitchell-Lama law, including Kazan, had ensured that its details strongly favored cooperatives built by non-profit sponsors. But

the initial output of the program proved paltry; only 2,361 units were under construction or completed five years into the program.²⁶

The entrance of Governor Nelson Rockefeller onto the scene in 1958, carrying with him a strong emphasis on engaging the private market in middle-income housing creation, would forever change Mitchell-Lama. Reforms under Rockefeller in 1959 raised the allowable profit for developers and curtailed the affordability restrictions to 20 years, thereby allowing co-ops to break free of the constraints of limited equity by buying out their developments' mortgages and converting to market-rate co-ops. The owners of rental buildings would be able to raise rents after the term was up and the subsidized mortgage paid off. Limited-equity proponents like the UHF were scandalized by the changes, burned by the turn of the government toward for-profit, speculative builders to expand housing production rather than non-profit sponsors like themselves. The program, as reformed, presented new and plentiful ways for private builders to reap comfortable profits—and the construction of Mitchell-Lama housing, as predicted, expanded rapidly.²⁷

It's not difficult to see why: while rental developers' profits were still capped under the program (now at a higher percentage, seven percent) for the duration of the 20-year affordability term, when restrictions lifted, owners could either reap the profits from higher rents or sell the building at a value based on that higher expected rental revenue stream. Developing affordable housing with state money and low property taxes proved quite lucrative.

²⁶ Tanaka, *Private Projects, Public Ambitions: Large-Scale, Middle-Income Housing in New York City*, 144.

²⁷ Botein, "New York State Housing Policy in Postwar New York City"; Tanaka, *Private Projects, Public Ambitions: Large-Scale, Middle-Income Housing in New York City*.

The logic behind removing the long-term affordability restrictions on cooperatives is less clear. While the promise of future, larger cash flows lured rental developers into using Mitchell-Lama to produce affordable housing in the short term, developers of co-ops gained nothing from the possibility for profit that conversion portended: the entirety of their proceeds came up front, when the buildings were built and all shares in the housing company were sold off to future residents. Without any remaining stake, the developers had no skin in the game of the financial future of the cooperative.

The intention of the program in this regard remains a fierce debate among pro-conversion and pro-Mitchell-Lama cooperators. Some pro-Mitchell-Lama cooperators contend that the change of the law to include cooperatives was simply a mistake or a misinterpretation. Many pro-conversion cooperators understand this as their reward for stabilizing neighborhoods the city considered failing or simply as their right, enshrined in legislation. Still others make the argument that conversion, in addition to building wealth for middle-income families, would add a lucrative asset to the tax rolls, providing enough funding to start the whole process anew. Regardless, the possibility for conversion—after 20 years of affordability, the repayment of the government mortgage, and a process to develop and approve an offering plan—was made law, sowing the seeds for the debates at co-ops like St. James and Southbridge Towers today.

By 1974, the bond-financed Mitchell-Lama program ceased commitments to new projects, as many buildings ran into trouble with mortgage payments and New York City's financial crisis raged.²⁸ However cooperative housing, including limited-equity co-ops, had become ubiquitous across New

²⁸ Botein, "New York State Housing Policy in Postwar New York City."

York City and, along with other forms of “co-housing” (condominiums among them), across the country.²⁹ Many visitors to New York marvel at Co-Op City, the largest cooperative development in the world and a Mitchell-Lama while entering the Bronx on I-95 or Amtrak’s Northeast Corridor. Its 35 towers, 7 townhouse clusters, and 15,372 units housing 50,000 residents sprout from former marshland once also home to an amusement park named Freedomland.

Many people also enjoy the cultural wealth that’s grown up in some the city’s more famous Mitchell-Lama rentals. Hip hop scholars know the address 1520 Sedgewick Avenue as the birthplace of this cultural movement, the location of DJ Kool Herc’s authoritative debut on the ones and twos in a community room rented for his sister’s birthday for \$25. Others might be more familiar with the names Alicia Keyes, Larry David, and Samuel L. Jackson—all former residents of Manhattan Plaza, a Mitchell-Lama rental on the west side stuffed full of performance artists. And if name recognition is the game, thrill chasers at Coney Island rattling along the wooden tracks of The Cyclone or walking Brooklyn’s answer to the boardwalk that passes by Dayton Park Beach in Queens might have it easiest: a complex of former Mitchell-Lama co-ops and rental buildings, Trump Village, sits a half mile away as the crow flies. The one and the two in this case, the rental buildings, left the program in 1992; the co-ops, Trump Village III and IV, converted in 2007.

The notoriety of certain Mitchell-Lamas, for their namesakes (in this case, President Donald Trump’s developer father) or their superlative qualities, may be the least impressive quality of the program. Their more pedestrian function—providing affordable, quality housing to middle-income individuals—and all the benefits that stem from that are more notable, if less celebrated.

²⁹ Lasner, *High Life*.

Though limited-equity co-ops limit potential financial gain for owners, they impose low cost burdens, spread risk among shareholders, provide federal income tax benefits through deductions comparable to traditional homeownership, build social capital among members,³⁰ protect residents from losing their homes in the case of flat or reduced income through low, predictable costs, and today often allow people to access higher quality neighborhoods than otherwise possible in hot markets like New York City.³¹ While owning a single family home or a market-rate condo or co-op often proves inaccessible and, even if obtained, risky to low-income individuals (and in a market like New York City's, middle-income individuals as well), limited-equity co-ops fill a niche between rental and homeownership that allows cooperators to obtain many of the benefits of homeownership while reducing the costs.³² The primary drawback is the limited-equity provision, which presents a paradox: individuals reap financial and social benefits from the limited-equity co-op structure but are not necessarily able to translate that directly into profits from home value appreciation; seeking to capture that capital through a conversion actively threatens the future of the structure producing that benefit.³³ The limited-equity provision is both the mechanism for long-term affordability and a barrier in the way of greater wealth creation.

Co-op debates around conversion would seem to be about choosing between long-term affordability and wealth. But as with anything concerning homes and money in a country where home often becomes synonymous with money, the story is significantly more complicated, and it changes over

³⁰ Saegert and Winkel, "Social Capital and the Revitalization of New York City's Distressed Inner-City Housing."

³¹ Saegert and Benítez, "Limited Equity Housing Cooperatives."

³² Ibid.

³³ DeFilippis, "The Myth of Social Capital in Community Development"; Saegert et al., "Limited Equity Co-Ops as Bulwarks against Gentrification."

time. Such is the case at Southbridge Towers, where the debate was so contentious and drawn out as to elicit significant extremes of opinion in a community described as close-knit from individuals on both sides—extremes registered in everything from flyers to online news comments:

On one side: “A vote for privatization is not the selfish wish of a greedy individual but the wise decision of an intelligent, knowledgeable, thoughtful, and loving person.”

On the other: “privatization is cannibalism eat your old & eat your young & then eat the one next to you because even cannibals are not safe with other cannibals they are just livestock next meal.”³⁴ [sic]

The flavor of the debates at Southbridge and St. James, as well as the complexes’ particularities in terms of place, neighborhood, and resident makeup, fed their fights over conversion in key ways. Before addressing the various opinions residents expressed on profit, possible future beneficiaries of their housing, ownership, governance, race, and class, Chapter 3 provides the important context that, in part, shape those views and the people for whom Mitchell-Lama is home.

³⁴ Dailey, “FiDi’s Affordable Southbridge Towers Will Go Market-Rate.”

Chapter 3: Staying In or Buying Out: The Cases of Southbridge Towers & St. James Towers

Michael Altman pushes around his oatmeal with bananas while he directs his milky blue eyes and heavy brows out the window down a London planetree-lined mall. We're at Squire's Diner, one of the commercial tenants of Southbridge Towers, Inc., tucked away from the main drag of Fulton Street and barely visible to passersby making their way between the South Street Seaport and the gleaming base of One World Trade Center, four blocks to the west. Squires, according to Michael, is a place "where everybody knows your name" in true *Cheers* fashion. He calls it the Gold Fishbowl. Its floor-to-ceiling windows and high visibility within the complex means other cooperators are likely to see you adding that extra bit of sugar to your porridge along with a hint of guilt—as you watch them pass on by.

I remember Joe, who used to be head of the board, said when he had little kids, he would say "I'm gonna go to the store." And he said his daughters would say "No daddy, don't go," cause they knew he would meet people on the way to the store, and they would want to talk, and he'd end up talking for half an hour to this one, twenty minutes to that one, and then he'd do his shopping, come on his way home, meet another two or three people that wanted to talk to him. So, they knew that a trip to the supermarket was not going to be "oh, I'll be back in 20 minutes."

This walk from apartment to store is notably short: at most 1,500 feet from the base of any of the nine interconnected buildings that make up Southbridge. Along Fulton sits a grocery store, and moving from the street to the internal courtyard, you might come across the pizza restaurant, Irish pub, animal hospital, and daycare. Most attempts to signal to the public that these businesses exist

are so lackluster as to question whether they want, or need, any of that outside business at all. As the outgoing president of the board Wally Dimson told me, sitting in the heart of the warren that is the Southbridge management office, the complex was envisioned as a self-contained place.



Figure 5: Squires Diner (top) and the Southbridge Towers management office (bottom)

While this physical design now flies in the face of contemporary thinking about how buildings should relate to the street, the choice to literally turn inward is understandable given the context at the time of Southbridge's construction. Built in the Brooklyn Bridge Southwest Urban Renewal Area in 1971, Southbridge took its place in what was then the Tannery District. It was the only significant residential development south of the Brooklyn Bridge. After the markets closed at 5pm, the streets were dead. The services and entertainment for this new community near the tip of the island would have to be built into the community itself, almost exclusively for the use of its residents. Victor Papa, board president from 1992 to 1999, says he used to be described as "the mayor of a small city"—a small city that many Southbridge residents would contend laid the groundwork for the full-fledged neighborhood that the Financial District has become today.

"I mean, it is an American tradition, right?" Bridget Schuy explained. "Pioneers, right? Like, move west. Get land."

While the names pro-conversion and pro-Mitchell-Lama cooperators at Southbridge call each other are frequently similar—think "liar" and "hypocrite"—the word that I found most commonly used to describe the cooperators as one whole was this: pioneers. In addition to moving west to claim their shares and units in Southbridge, original cooperators were also frequently coming south, depending on the ethnic White neighborhood where they previously lived. "There was an Italian group, there was an Irish group, there was a Jewish group ... and they sort of gravitated or they came with family. You'll find a lot of people in Southbridge are related to other people in Southbridge," says Jan, who moved into the brand-new complex with her parents at 13 and remains deeply involved in the cooperative. As for being related to other cooperators, she became so by choice after meeting her

future husband on the Southbridge youth committee; their now adult kids mark the third generation of the family as cooperators.

This is not uncommon; Chris,³⁵ a third generation Southbridge resident from another family, recalls seeing others' grandparents, aunts, uncles, and cousins throughout his childhood. Many of the kids he grew up with in Southbridge are friends he sees on a daily basis today. "Because it's like a complex of nine buildings without any streets intersecting, it's almost like your own little neighborhood," says Robert Perea, another homegrown Southbridge cooperator.

Chris and Robert weren't able to avail themselves of the matchmaking potential of the since-disbanded youth committee—the ski trips, the bowling league, the junior board of directors—but true to the original need to create entertainment in a neighborhood otherwise devoid of it, Southbridge continues to cultivate community events. Schuy notes the famous Halloween party, the photography club, knitting club, and belly dancing class, though she's less convinced of the latter's advisability: "sometimes I walk by ... I'm like, 'well, I don't know if I really want to be in a leotard in the middle of the community room with the blinds up.'" Jan was especially proud of the diversity of the residents that avail themselves of the classes; while initially heavily White, the growth of nearby Chinatown has led to a significant increase in the share of Asian residents at Southbridge. A 2016 class schedule boasts 17 free classes for cooperators, from tai chi and yoga to "psychic/intuitive development." It promised "fun, easy exercises which develop the 'extra' sensory perception innate in everyone!"

³⁵ Pseudonyms have been used for some residents who wish for their real names to remain confidential. This is the case when a first name is used without a last name throughout this thesis.

However well developed the foresight of cooperators at Southbridge may be, few would likely have been able to predict what grew up around Southbridge, where industrial-scale coffee roasters and warehouses serving New York's then dying docks once stood. Southbridge has always been surrounded by icons of the city—the Woolworth Building, the Municipal Building, the arches of the Brooklyn Bridge. But the new symbols of downtown—the white ribs of Santiago Calatrava's transportation hub and the pristine, sheer glass of the World Trade Center's new towers—are indicative of the massive amount of investment that has flooded Lower Manhattan following the attacks to World Trade Center Towers I and II on September 11, 2001. People remember the weeks following 9/11 as a time of particularly strong bonds within the community. The pioneering attitude of the development was boosted when Southbridge was one of the few portions of Lower Manhattan not evacuated. Residents were left to care for each other amid waves of dust and debris. The stability of the community and its tight-knit qualities were on display. As Jan put it, "in some ways, we're united against the world." But the closeness of Southbridge was not always borne out in mutual support. Paul Hovitz, a former board member and fixture on Manhattan's Community Board 1, called the sense of brotherhood seen in the wake of 9/11 and, later, Hurricane Sandy, short-lived.

Back at Squire's Diner, Michael Altman put the dynamics among cooperators succinctly: "Here, people know each other. They may not like each other, but they know each other."

A Haven of the Black Middle Class

"Wait, they don't know I'm here. Hey guys, I'm heeere," Wenna says as she motions at the waiter from Clinton Park Café, one of two diners across the street from St. James Towers in Clinton Hill. "Listen, I probably have stock in this place," she notes with some exasperation as she walks through

her seemingly well-worn order: medium half orange juice/half cranberry juice with an English muffin and bacon (“I’ll put it on the muffin and that way my stomach may not know about it”). In short order, my coffee order is upgraded thanks to some grandmotherly prodding—“What did you eat for breakfast? Why don’t you have an English muffin?”—and conversation turns to luminaries that once graced the halls of 21 St. James Place.

Ron Brown, chairman of the Democratic National Committee and Secretary of Commerce under Bill Clinton; Vernon Jordan, another Clinton advisor and civil rights activist; Charles Lawrence, justice of the Appellate Division of the New York State Supreme Court. “We had doctors, lawyers, and Indian chiefs in here!” She grew up in the building, moving in after her family’s offer to purchase a plot of land in Riverdale, the Bronx, for \$3,000 was rejected because her family is Black. “Her name was Mrs. Wheeler; I remember that.”

The picture of a Black middle-class community in St. James Towers, born in part by racial discrimination and enforced segregation, is not surprising in the context of Clinton Hill and wider Bedford-Stuyvesant³⁶—a neighborhood widely known as a center of Black culture and home to Black residents crossing all kinds of income bands. “We all lived in Bed-Stuy,” Wenna noted. “We children were all in the same kind of clubs. ... We called them the upper limit of the Brooklynites. ... We call it being bougie.” When summer in the city got hot, many St. James residents fled to the historically Black beach enclave of Sag Harbor, Long Island.

³⁶ As with most neighborhood boundaries in New York, the borders between these two are fuzzy. Part of Clinton Hill, that in which St. James falls, used to be considered part of Bedford-Stuyvesant.

Wenna describes the co-op community as family driven, where her mother was among many matriarchs who kept kids like Graham, a younger, now middle-aged shareholder, in line. “My mom would go after you in a minute, but they always respected her.” Graham came to the development as a toddler when his parents moved out of a brownstone rental in the area and into the brand-new co-op. He refers to the families that have endured and grown in the building over time as “dynasties.” After college took him out of town, he came back to St. James to live with his father and take over the apartment when his mother passed away. This kind of limited turnover, driven by time, age, and the pursuit of other opportunities, is what Graham says characterized the community:

“It's been very stable over the whole period of time that I've lived there. Of course, people come and go but it really maintained a good, strong, stable environment. A lot of people are involved in trying to engender participation among the residents in the building with different social activities.”

The slate of events that occurs within the co-op itself is, however, notably barren compared with Southbridge Towers. While a function of many things, size among them, St. James was also built within an existing residential neighborhood. A diner like Squire's wasn't needed in the building itself; these kinds of amenities and activities were already spread throughout the area. Rather than replace manufacturing with apartment buildings as in the Brooklyn Bridge West Urban Renewal Area, the Pratt Institute Urban Renewal Area is more stereotypical in its aims: removing homes of poor minority individuals considered blighted to make way for newer, more modern housing on a tower-in-the-park model. As the name of the area indicates, the development of St. James Towers, and its siblings in Ryerson and Pratt Towers, was directly tied to support and visioning for the renowned arts and architecture university directly across the street. The three developments were collectively called University Terrace in advertisements; one constructed after the other, and the proceeds from

sales to cooperators in the previous funneled into the erection of the next. Plans for the area show the Pratt campus surrounded by these high rise residential towers,³⁷ new modern additions to the campus-cum-sculpture garden's wrought-iron fence insulation from the once grand, then degrading brownstones that ring the urban renewal area.

One can imagine how the new construction looked against the disinvested row houses of the mid-60s: while the occasional evidence of wear on the beige bricks of St. James make it look slightly tired next to the newly refurbished facades of the now million-dollar brownstones across the street, the occasional abandoned property that's still untouched by the capital flooding Brooklyn neighborhoods makes the 23-story co-op appear solid, even regal. A lengthy blue awning stretches out from its base into a parking lot sea, as if awaiting sleek black cars to drop off residents. The building is a bridge across eras, and the middle ground between the variety of housing types one can take in from wide sidewalks lined with the peeling bark trunks of the same London planetrees found outside Squire's Diner at Southbridge. Just to the east, the public housing of New York City Housing Authority's Lafayette Gardens; to the west, a spate of new luxury glass towers in Fort Greene and Downtown Brooklyn, and surrounding, row houses in various states of repair.

The continued stability of the St. James community in the midst of neighborhood flux breeds a sense of responsibility for Clinton Hill's current upswing similar to Southbridge residents' narrative as pioneering Manhattanites. Marlene Steele, who grew up in St. James and lives with her 100-year-old mother, echoes this picture: "Like I said, I grew up around here with crack vials, dope fiends, and drug addicts. And these people [St. James residents] stayed." Writing to encourage shareholders

³⁷ On the other side of the Pratt Institute, between Willoughby Avenue and Myrtle Avenue, stands Willoughby Walk, originally rental housing that has since been converted into market-rate co-ops.

to vote in favor of conversion, long-time shareholder and former board president Lawrence Whiteside paints a stark picture of St. James' environs then and "what is now a stable College Community":

When we first moved in and took over the building, drugs, prostitution and muggings were so rampant in the neighborhood that, for several years, we had to hire building guards with attack dogs and close the St. James Place entrance, because it was the location of most muggings. ... I hope you would take pride in what you have helped to accomplish for others in the building over the past 53 years.

It seems that many do. But as Graham puts it, "there are always, as in any community or neighborhood, some philosophical differences in how things should be run. But, you know, we fight it out and wind up living together without any major consequences."

The debate around conversion may be the largest test of this track record yet.

Table 1: Southbridge vs. St. James at a Glance

Co-op	Year Built	Neighborhood	# of Units	Supervising Agency	Racial Composition ³⁸
Southbridge Towers	1971	Financial District, Manhattan	1,651	New York State Department of Homes and Community Renewal	White: 61% Asian: 27% Black: 9% 10% of those residents also identified as Hispanic or Latino
St. James Towers	1963	Clinton Hill, Brooklyn	362	New York City Department of Housing Preservation and Development	Black: 92% White: 8% Asian: 0% 8% of those residents also identified as Hispanic or Latino

Southbridge’s Long, Acrimonious March Toward Conversion

The consequences of the conversion debate at Southbridge Towers have been severe: “I know families who were cut down the line, where sisters did not talk to each other because one was for it and one was against it. ... It felt very much like dystopian fiction,” Chris noted, describing the divisive pall that fell over Southbridge in the lead up to the co-op’s conversion. This most recent series of votes are, however, just the tail end of a longer history of fights over conversion in the development that, like most other things at Southbridge, includes multiple generations of families.

³⁸ Data from 5-year American Community Survey census estimates. These are block-group-level estimates; Southbridge encompasses a full census block (Block Group 2, Census Tract 15.01, New York County, New York) while St. James Towers shares a block group with Ryerson Towers and Pratt Towers (Block Group 2, Census Tract 193, Kings County, New York). Anecdotally, Ryerson Towers and Pratt Towers shares a very similar demographic profile to St. James, such that using the block-group-level estimate for racial composition should provide a reasonably accurate picture of the demographics of the cooperative.

Roberta Singer, one of the main cooperators in the anti-conversion coalition of Southbridge Towers Cooperators for Mitchell-Lama and the Southbridge Towers Shareholders Association, waited eight years on a list for an apartment at Southbridge after being prompted to enter her name by her mother, an activist who successfully organized to defeat a conversion push in the mid-1980s.³⁹

Wally Dimson, the outgoing board president who saw the conversion process through to its fruition and “lived and breathed privatization” according to Jan, assumed his position at the helm 35 years after his father served as president of the resident advisory council to the developer, Tishman Speyer,⁴⁰ just prior to total transfer of the development’s control to the cooperators. Dimson recalls his father’s dictum that cooperators could own this place in 20 years, reflecting some pro-conversion shareholders’ view that even though they currently own the cooperative, it’s not true ownership.⁴¹

This process to convert from a Mitchell-Lama, limited-equity cooperative to a market-rate cooperative means the housing company in which cooperators own shares is transformed into a different kind of housing company, under a different New York state law. Because shares in this new company are technically issued to existing cooperators, the New York State Attorney General’s office interprets a co-op conversion as an issuance of new securities under the state’s Martin Act—a law that gives the AG’s office broad latitude to combat investment fraud. The conversion process complies with the Martin Act’s provisions by attempting to ensure that any information provided to shareholders as to the financial risks and benefits possible under a conversion are accurate and

³⁹ Given a much weaker real estate market and mortgages still to pay, conversion campaigns prior to the early 2000s were rare.

⁴⁰ Tishman Speyer’s recent work concerning middle-income affordable housing includes its botched partnership to purchase the largest apartment complexes in Manhattan, middle-income rentals at Stuyvesant Town and Peter Cooper Village, for a record-breaking \$5.4 billion. It defaulted on its loans in 2010, three years after the sale.

⁴¹ Such perspectives on ownership will be discussed at length in Chapter 4.

properly disclosed, just as if a cooperator was buying stock in Apple. The supervising agency overseeing the Mitchell-Lama cooperative is tasked with ensuring that all of the governance procedures within the co-op itself (such as voting) are followed.

In November 2005, Southbridge Towers took the first of three steps toward conversion: the board submitted to the shareholders a proposal to pay for the creation of a feasibility study, which would explore whether the conversion was legally and financially possible for the cooperative. Votes on feasibility studies are often couched as an exploration—in theory, cooperators are just voting on spending some money to see what their options are, though pro-Mitchell-Lama shareholders often caution against fueling a movement that may be otherwise difficult to stop. The vote passed by the required simple majority vote of shareholders.⁴²

The next step in the process is a vote on the expenditure of an additional, larger sum of money to go to lawyers and accountants to create a formal offering plan. This vote must pass a two-thirds majority vote of shareholders (voting and non-voting, so no vote is a “no” vote). In 2007, the board of Southbridge Towers got the votes needed to spend the money on a draft—in the lingo of securities offerings, the Red Herring.

The Attorney General and supervising agency review this prospectus, noting deficiencies and making revisions, and ultimately the cooperative’s contractors produce the Black Book, a final offering plan. The third and final vote in the conversion process is the vote on this plan—whether

⁴² Unlike share-based voting in a market-rate cooperative or traditional company, shareholders that hold more shares in the housing company (entitling them to bigger units) do not hold greater voting power; each shareholder or each household has one vote.

to pursue it and leave the Mitchell-Lama program or remain a limited-equity co-op. Like the vote on the cash to produce the plan, it must also pass by a two-thirds majority. From September 28th through September 30th, 2014, Southbridge residents went to the polls to decide on the future legal status of their housing company. The vote for “Yes”—to convert to a market-rate cooperative—passed the needed two-thirds threshold by all of 10 votes out of 1,607 eligible votes (1,458 were cast).⁴³

Explained procedurally, the conversion process takes on a bureaucratic, technical air. But this was far from the feeling on the ground. Tensions at Southbridge during the conversion process were incredibly high, to the point where violence among shareholders was no longer theoretical but actually expected. Jan, a staunch pro-conversion shareholder, spoke specifically about the well-being of Paul Hovitz with a not so subtle hint of he-had-it-coming-to-him: “I was really afraid that the head of the antis [the pro-Mitchell-Lama cooperators] was really going to get assaulted or worse, and I think he may have had some threats. I’m just surprised he’s still walking and talking. People hated him so much. ... I’m just surprised he survived.”

Paul was unfazed; the complex provided a security escort on at least one occasion, and he claimed to have “had other avenues of coverage.” Pro-Mitchell-Lama shareholder Michael Altman faced similar harassment: “people insulted me; people swore at me. I had a death threat from a really crazy guy

⁴³ Southbridge Towers has 1,651 apartments, but almost all residents are quick to note that they provide two apartments for use by management company employees, hence the mixed references throughout this research to 1,649 or 1,651 apartments at Southbridge. The occupants of those two apartments are not owners, and thus are not included in the eligible voting shares. Another 42 apartments were disqualified from voting in the final conversion vote due to death of the occupying shareholder prior to vote, pending applications for succession rights to the apartments, occupying shareholders moving between apartments and thus listed as shareholders on two apartments at the time of the vote, vacancy, or membership in a specific grant program that did not carry voting rights. This disqualification was challenged in a court case by pro-Mitchell-Lama shareholders to attempt to stop the conversion; the case was dismissed.

who lives in that building. ... The only thing that really bothered me is a couple of women insulted my wife and that does hurt. It was simply because she had committed the crime of being married to me.”

While the threats of violence appeared to have been directed only toward those trying to stop the conversion, mud-slinging and *ad hominem* attacks flew in both directions, sometimes paired with nuanced policy arguments and often built into newsletters, flyers, blog posts, letters to the editor, comments on online articles, and official co-op board communications to all shareholders.

Wally Dimson, the Southbridge board president who oversaw the march toward conversion, acknowledged the crucial role that personal attacks played in this endeavor, expressing his belief that any political fight involves not only a contest of content but a discrediting of the opposing side based on their alleged motivations. Dimson excelled at this: with the seat of president in the co-op and the audience and power that provided, he churned out almost monthly President’s Reports to the cooperative body to mark the progress of the conversion campaign, along with periodic memoranda countering specific flyers and calling into question the legitimacy and motivations of the shareholders organizing to remain in Mitchell-Lama.

In most cases, Dimson’s target was Paul Hovitz. On June 2nd, 2015, Dimson circulated a memorandum to all cooperators calling the Southbridge Towers Shareholders Association “nothing more than a self-serving and self-created forum for Mr. Hovitz to present misinformation about co-op operations and expound on his negative beliefs regarding the ‘risks’ of privatization.” Dimson was not alone in his attacks on Hovitz: Jesse Mandel, another board member, called pro-Mitchell-Lama communications “fear-mongering disinformation” from “local propagandists with their own

agendas.” Jan claimed they “preyed upon the elderly and the fixed-income people” with “absolute lies” and followed Hovitz “like a cult leader.” If not liars, pro-Mitchell-Lama advocates were communists or corrupt individuals looking for more opportunities to reap profits from the co-op. Three Southbridge residents went so far as to claim that a lawsuit alleging that the final voting process suffered from improprieties was just a final Hovitz ploy to delay the conversion so that his mother-in-law could die, leaving the apartment to his daughter under more financially beneficial terms. According to one cooperator, he “applied for succession for the daughter before the body

SOUTHBRIDGE TOWERS, INC.

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Memorandum

To: All Shareholders

From: Wallace Dimson, President *WD*

Re: June Board Meeting and Privatization Update

Date: June 2, 2015

Please be advised that the June meeting of the Board of Directors will take place as follows:

Thursday, June 4, at 8:00PM, in the Community Room

The meeting will include an update on the status of the Effectiveness Amendment, current litigation, and the delay in holding the annual meeting.

Recently, you may have received a flyer from Paul Hovitz and Roberta Singer, claiming that they were writing to you on behalf of two organizations that oppose privatization. Mr. Hovitz also claims to be the “president” of one of these organizations. The fact is that Mr. Hovitz is anything but a duly elected president. His “organization” has no by-laws and in the more than two years of monthly meetings there has never been an election for directors or officers.

His “association” is nothing more than a self-serving and self-created forum for Mr. Hovitz to present misinformation about coop operations and expound on his negative beliefs regarding the “risks” of privatization. Protected by the Quiet Period until last September’s privatization vote, Mr. Hovitz used these meetings to frighten cooperators with false claims about whether banks would approve mortgages to buyers of Southbridge apartments, the real risk of the Real Property Transfer Tax being assessed by the City when SBT reconstitutes, and whether sellers in the first two years of privatization could claim the IRS capital gains tax exclusion. The truth on all of these points, is exactly the opposite of what Mr. Hovitz claims.

Mr. Hovitz is now using his meetings to raise money to delay the privatization process by suing DHCR and Southbridge with a desperate last-ditch claim that the privatization vote, which was approved by margin of 1,082 to 373, should be overturned and that a new election should be held. This is despite the fact that the voting procedures, which have been in use since 2008, were developed by DHCR and approved by the Attorney General long before the vote was held.

SETTING PAUL HOVITZ STRAIGHT

In his last letter to shareholders, Paul Hovitz makes a number of statements that he says are intended to set the record straight. Let's test the truth of each of these claims:

Accuracy of the July 29 Informational Meeting

If you did not attend the meeting or see its rebroadcast in the Community Room, you should pick up a copy of the DVD in the Management Office and watch it at home. This is your only chance to hear from legal and financial experts about the benefits and risks of privatization.

While Paul Hovitz claims to be an anti-privatization expert, he didn't have the interest to attend the informational meeting for more than 10 minutes, or the courage to question the consultants directly. It seems that Mr. Hovitz will speak only if he has the stage to himself. Perhaps he fears that his claims will not stand up to responses from the real experts.

Real Estate Tax If We Privatize

The real estate tax will increase but the cost of the increase will be covered by revenue from transfer fees (flip tax). If 50 apartments are sold each year the co-op will have a surplus of more than \$2 million. Even if only 40 apartments are sold each year there will be enough flip tax revenue to prevent a maintenance increase.

Letters From Banks Regarding Mortgages

As stated at the meeting, there are letters from Bank United and M&T Bank stating that mortgages will be available to buyers. Chase and Citibank have verbally committed to providing mortgages. It's not in the Black Book because banks would not even consider lending money for mortgages until they received a copy of the plan that been accepted by the Attorney General.

Asbestos

Asbestos is not an issue. The banks that have reviewed the book have said that they will provide loans to buyers of apartments. They are fully aware of the Rand Report.

Worst Case Maintenance Scenario

This can only happen if three things happen: no apartments are sold, there's a \$26 million Real Property Transfer tax, and 1/3 of the shareholders opt out. The possibility of this happening is almost zero as 30 apartments are currently returned to the co-op each year due to shareholders passing away.

Benefits of Privatization

Mr. Hovitz claims that only people who sell immediately will benefit. That's not true. If Southbridge becomes a private co-op you will be able to tap into equity for things like long-term health care and retirement security. Your heirs can also inherit a very valuable asset when you pass away.

Proxy Voting

Mr. Hovitz and the antis have been trying to stop proxy voting for years. He knows that since it takes a vote of 2/3 of all the apartments for the resolution to pass, any person that he can prevent or discourage from voting will count the same as a no vote. If you vote by proxy, it assures you that your vote will be counted in the event that you cannot appear in person because of travel plans, health or family emergency.

Don't let Mr. Hovitz's scare tactics stop you from providing financial security to your family!!

Vote YES on September 28, 29, and 30. You may also vote by proxy.

Lou Trazino

Figure 6: A memo and a flyer distributed to Southbridge cooperators targeting the credibility of pro-Mitchell-Lama leader Paul Hovitz

was even cold.”

The antipathy was mutual. Pro-Mitchell-Lama cooperators frequently described their opponents as greedy. Dimson was to them as Hovitz was to the pro-conversion shareholders: a purveyor, as one

flyer put it, of “gross misinformation and outright lies.” Numerous cooperators intimated that pro-conversion shareholders more or less stole—or attempted to steal—the conversion votes by getting less informed shareholders to give them their proxy ballots (like an absentee ballot). Given the significant Chinese population in the buildings, many flyers were distributed in English and Mandarin; pro-Mitchell-Lama cooperators questioned whether the same information was actually being provided on both sides of the page.

Individuals who occupied a middle ground had to somehow determine what to believe. Tom, a board member who became involved in co-op governance largely to push forward the conversion, said “when you come home at night, you have like six handouts at your door. ... You don’t know which is right and which is wrong.” John Fratta, the only member of the board at the time of conversion who opposed it, issued a letter ahead of the final vote encouraging shareholders to “PLEASE don’t ask someone from the Mitchell-Lama group and at the same time don’t ask someone from Southbridge Rights [a pro-conversion organization]. One will tell you that the sky will fall and there would be chaos and the other will tell you that Southbridge is paved with gold and all your financial concerns will be a thing of the past.” Jesse Joseph, commenting on a post on a pro-Mitchell-Lama blog, issued a plea from the middle:

“It is almost impossible to get to the truth here. Both sides exaggerate and put forward their own agenda. ... God help us if we find out later if we make a mistake and everything falls apart for the middle-class family.”

The day after the culminating vote, a pro-Mitchell-Lama user on the same blog had a different view of God’s role in the picture: “I was going to say God help us all, but I’m afraid that the only true god for many at SBT is Mammon.”



Figure 7: The promenade lined with London planetrees at Southbridge Towers

When Outsiders Come In

The dynamics at St. James Towers over the course of the conversion debate were tense but appear far less outwardly negative than those at Southbridge—at least between cooperators. Still, Marlene Steele says it “totally divided the building. ... It’s still ugly.” In November 2016, the board of St. James Towers, led by president Noreen Hosier, received the simple majority of votes needed to move forward with a feasibility study on conversion. Flyers began to circulate around the St. James community, but nothing like the volume Tom described at Southbridge. Steele describes the

approach taken by Hosier as controlling, intimidating, dismissive—as if the cooperators were her former charges when she was principal of PS258. “She’s like a bully ... she’s just wicked,” Steele said.

This counts as the rare personal volley relayed to me by a St. James resident. But that didn’t mean pro-Mitchell-Lama cooperators thought the process was fair. Some thought the voting might be rigged; Steele speculated that pro-conversion board members were corrupt. But much of the ire for pro-Mitchell-Lama cooperators was directed instead toward the other participants in the February 22nd, 2017 press conference at the St. James playground: the elected officials who decided to intervene.



Figure 8: The St. James Towers playground (with a sign noting its non-public nature) where the pro-Mitchell-Lama press conference took place

When New York City Public Advocate Letitia James, local councilwoman Laurie Cumbo, New York state senator Velmanette Montgomery, and state assemblyman Walter Mosley gathered with Steele

and other pro-Mitchell-Lama cooperators to urge St. James to vote against the second step in the conversion process (allocating funds toward the creation of an offering plan), they further muddied the ill-defined barriers between the public government they represent and the private government of the co-op. Pro-conversion shareholders like Lawrence Whiteside cried foul, claiming that the politicians had acted “outside their purview.” He would later title a memo “21 Saint James Place, Brooklyn, 11205: A Story of the Betrayal of the Public Trust by Brooklyn Political Officials in the 35th Council District.”

The day following the rally, almost 60% of St. James residents did not vote or voted against the next step in the conversion process. The two-thirds majority for “Yes” needed to move closer to leaving Mitchell-Lama was still far off. Southbridge board president Wally Dimson even claimed that politicians’ involvement at St. James was instrumental in that defeat.

While certainly not the only nor the operative distinction between Southbridge Towers’ voting for conversion and St. James Towers’ opting to remain in the Mitchell-Lama program, the difference in politicians’ involvement in the debate is notable. Southbridge residents frequently reacted with a chuckle when asked about their own experience with politicians leading up to their votes, who Victor Papa called “abysmal in terms of their neutrality.” Many thought back to the first and only instance when a politician tried to directly intervene. Roberta Singer remembers a meeting where Scott Stringer, then the city’s comptroller, a mayoral hopeful, and the former Manhattan borough president stopped by: “There was Scott Stringer, who came in initially ... with having the values of the importance of Mitchell-Lama. About three quarters through the meeting someone challenged him on something and he backpedaled so fast I thought he was going to bump into the wall. He

mid-stream changes his tune. ... It was like whiplash.” Michael Altman recalls that he “never saw anybody back up and turn as quickly as [Stringer] did.”

From then on, politicians stayed away, in Paul Hovitz’s estimation, out of the stated rationale that Southbridge residents “have the right to vote and decide their fate.” At Southbridge, it was clear to politicians that the majority of shareholders—even if not the two-thirds majority that would be needed to pass the conversion—supported leaving Mitchell-Lama. His following comment, then, is perhaps as instructive as the upholding of a right to self-governance: “if you were looking for votes, would you piss them off?”

At Southbridge, a public official intervening in the conversion debate risked alienating a substantial bloc of constituents. While these officials stayed away, advocates from the citywide group Cooperators United for Mitchell-Lama (CU4ML) offered their assistance to Southbridge’s pro-Mitchell-Lama group, only to be rebuffed. While some in this group, including Michael Altman and Roberta Singer, wanted CU4ML to get involved, others, like Victor Papa, were wary of what outside intervention would do to their support at the complex. Papa expected resentment for CU4ML to undermine the pro-Mitchell-Lama cause rather than help it, and his argument ultimately won out. “I think that doomed us,” said Michael Altman.

As with local politicians, CU4ML played a role at St. James Towers where they hadn’t at Southbridge. Graham and Marlene Steele recall getting educated on Mitchell-Lama co-op conversion from CU4ML board members, then bringing CU4ML in to present to the wider cooperative as well. Prior to working with CU4ML, Steele, who is often credited with engaging the local politicians in the fight against conversion, was undecided on the issue. The counseling and background that the

advocacy group provided appears to have laid additional groundwork for engaging other outside parties, to ultimate success.

The relative sizes of Southbridge and St. James appears potentially relevant to politicians' involvement in the debate; wary of alienating a large voting bloc, Southbridge was left largely alone while at significantly smaller St. James, politicians joined the pro-Mitchell-Lama cause. This is but one of many divergences between the story lines and the contexts of these two developments and their implications for the future of the Mitchell-Lama program. In the ensuing chapters, I'll explore more, including the difference in supervising agency and the role of race in the debate to understand how such differences affect shareholders' decisions about a possible conversion.

By looking closely at how Mitchell-Lama cooperators argue for and against a conversion, their perspectives on government supervision, cooperators' relationship to their own cooperative governance, their understanding of ownership in the limited-equity context, and who they believe a conversion would benefit or harm, a picture of the financial and often very social considerations inherent in the choice to stay in or buy out becomes clearer. From the outset, the god that one Southbridge cooperator evoked—Mammon, or money—looms as the unavoidable driver of the debate. Accordingly, an investigation of how shareholders come to feel entitled to the perceived windfall associated with a conversion, created through public subsidy provided by the Mitchell-Lama program, is in order.

Chapter 4: The Construction of Entitlement to Personal Profit from Public Subsidy

Before he sits down across from me at Pret A Manger a block away from City Hall in Lower Manhattan, Robert Perea has been a hard man to pin down. Between work, tai chi classes, jam sessions, and his winter ritual of weekend ski trips, I'm hard to fit in. Add to those obligations a renewed push for conversion at Mitchell-Lama co-op East Midtown Plaza getting underway. As a new co-op member with expertise from his role as a former resident and pro-conversion activist at Southbridge Towers, his perspective is valued by a board of directors that's already tried and failed to leave the subsidy program.

It's easy to see why any side would desire Robert as a spokesperson: he's stereotypically handsome, with short stubble and wavy black hair that fits his classy but casual green Polo sweater and friendly demeanor. He's also notably younger than most other individuals deeply involved in the Mitchell-Lama conversion debates. Despite this relative youth, Robert knows the ins and outs of lotteries for subsidized housing in New York City:

“My mother, right when I turned 18, started clipping out the newspaper things like “oh, here's one, here's one.” And not even just Mitchell-Lamas, but the 80-20 apartments—like okay, here's low-income, middle-income, blah-blah-blah. Just sign up for everything. I signed up for dozens, and I went to interviews for a lot of them.”

His mother is an original cooperator at Southbridge, moving in with a friend to a two-bedroom in 1971, then getting married and having two kids while living in the complex. His grandparents lived there as well before passing, and his cousin is on the board. This is the kind of family

institutionalization one cooperator likened to “empire building.” While Robert is now an heir to his parents’ unit at the complex, he has moved out. One of those lotteries paid off—he was able to buy into East Midtown Plaza in October 2013 after spending ten and a half years on a waiting list, one year before his former home of Southbridge Towers voted to convert. If all goes as planned and East Midtown Plaza follows in the footsteps of his other conversion campaign, Robert will have two former Mitchell-Lama co-ops to his name.

As the decade-long wait for Robert to avail himself of this resource at East Midtown Plaza indicates, the odds of actually getting access to a city-sponsored affordable housing unit are long. In a recent lottery for 297 units in a new building in Prospect Heights, Brooklyn, 92,743 people applied.

Regardless, Robert was irked at not getting access sooner:

One time I was perfect. This apartment: I had the right salary, I had everything, and this was the only time they did it. Like I would give them my savings information and checking in the banks and stuff just to see. And they added my savings to my salary, and they were like “oh, you make too much.” I’m like, “hold on a second. That’s not right! I’m making this; that’s what I’ve saved over the years, but that’s not what I’m making.”

“Well, we combine them, and the percentage is too high.” I said, “so you’re punishing me for being fiscally responsible. I don’t understand. Like, what if I put this money in a bond or a CD? You wouldn’t even know it’s there. This doesn’t make any sense.” And I lost out on that. I lost out on probably 20 apartments over the ten years, and I had basically given up.

Despite this frustration, Robert champions the benefit that the Mitchell-Lama program has provided him personally, and he is quick to voice his support for government provision of affordable housing for individuals like him and those making far less.

“I’m always for that,” Perea notes. And unlike some of his fellow pro-conversion shareholders, he acknowledges that the conversion worked against this goal. “There’s a part of me even now that says, we did kind of get rid of some middle-income housing. But then I remember that we should’ve had much more built over this span, and it’s not on us to preserve it. It’s on the city and the state to preserve it.”

Robert exhibits ways of thinking about affordable housing in the Mitchell-Lama context that are particularly telling: a two-pronged feeling of entitlement, first to access an affordable unit in a city where income-restricted units with stable affordability are rare and then to profit from the removal of that unit from the program that insures its affordability. Marry that with a general absolution of responsibility for any role or obligation to maintain affordability. This approach to Mitchell-Lama conversions is not unique; elements of it exists across everyone I spoke to who supported conversion at Southbridge or St. James Towers and even among residents who fought against them.

Identifying how this feeling of entitlement to profit from public subsidy is constructed and how it is operationalized, argued for, and defended in the context of a conversion debate provides lessons for how to preserve affordable housing when residents have an opportunity to profit from its dissolution.

Profit, Value, Self-Interest, and Entitlement

Mainstream economic theory states that individuals make choices based upon their own self-interest; in the discipline, this way of weighing options is considered rational. While broadly criticized for being reductive,⁴⁴⁴⁵ rational choice or rational action theory nonetheless codifies a key, though not exclusive, way people approach decision-making. The theory, in elevating self-interest and utility maximization as the primary considerations behind human action, would predict that individuals in the context of Mitchell-Lama conversion debates will seek conversion if the profits to be had outweigh the drawbacks. Cooperators' urge to profit in this context seems obvious.

Further, within the capitalist economic system that prevails in the US, this drive to profit and the creation of opportunities for more profit is inherent. The economic system that surrounds the cooperators of Southbridge and St. James is imbued with a “spirit of capitalism”—an ideology that justifies people’s commitment to capitalism—that encourages and valorizes profit-making.⁴⁶ While profit-seeking in general is so fundamental to the American economic system as to be accepted as given, how individuals come to articulate why they are entitled to profit is more complex, especially when the profit might appear illegitimate, as in the case with profiting from public subsidy. Rational action theory would predict that someone would seek to profit from public subsidy if the opportunity presented itself and the costs did not outweigh the benefit, but in some cases, the individual may be called on to justify why they should be able to accrue profit that they did not create or was not intended to accrue to any one individual.

⁴⁴ Mansbridge, *Beyond Self-Interest*.

⁴⁵ See Chapter 5 for more on these critiques and alternative ways of understanding decision-making.

⁴⁶ Nee and Swedberg, *The Economic Sociology of Capitalism*.

Such a justification requires a conception of where that value came from and how those shareholders came to own it. John Locke, in his labor theory of property, argued that one comes to own property through exercising labor on a previously unowned thing, thereby creating value.⁴⁷ Labor, in this original condition, is the mechanism by which to produce value and acquire ownership; upon exchange of that thing, Adam Smith then argued that a property's value is determined by the labor or "energy-like quantity of work" for which it could be swapped.⁴⁸

However, Smith's theory of value neither holds up in practice nor applies neatly to the situation at hand: the value of a co-op is not equivalent to the amount of the labor that went into its creation, and shareholders do not come to own the property through labor or through exchange based on the value of labor. Rather, they come to possess shares in the co-op through subsidized exchange. If able to sell their shares on the open market, the appreciation in value of those shares—the new value created—is best explained not by labor but by the judgement of individuals as to the shares' utility (in economic terms)⁴⁹ or by the degree to which the shares meet a norm of expectation.⁵⁰ Value is not then an objective accounting of the labor embedded in the creation of the co-op but rather a subjective measure unlinked from the actual work that has produced it. Under common law, this value is considered property of the share's owner simply based on their possession of that share.⁵¹

⁴⁷ Locke and Goldie, *Second Treatise of Government; and a Letter Concerning Toleration*.

⁴⁸ Orrell and Chlupaty, *The Evolution of Money*, 140-141.

⁴⁹ Orléan, *The Empire of Value*, 142.

⁵⁰ K. R. Srinivasiengar, "Outline of an Emergent Theory of Value," 420.

⁵¹ Rose, *Property and Persuasion*, 12.

This theory starts to clarify the basis of the construction of entitlement to profit in the case of Mitchell-Lamas. First, if property and value are directly tied to ownership and the ability to sell and therefore profit from property, then shareholders who believe they created the development and the neighborhood through their labor—building community and making it desirable to others—believe in Lockean terms that they not only have ownership over their share but also own some of the value embedded in the surrounding neighborhood that accrues to them through the sale of a share on the open market. Their labor entitles them to profit. Second, and more simply, they adhere to the common law idea that their possession of a share means ownership regardless of the value, and the value is determined by the subjective judgement of others. Their possession of the share in a free market context entitles them to profit if others are willing to pay for it. In conjunction, these give Mitchell-Lama shareholders two claims to the value of their share: one through their supposed labor and the other through their mere possession of the share. And while their possession of the share is an unassailable fact, the argument that their labor entitles them to value requires both selective amnesia of others' labor that created value and a conflation of that labor with appreciation through the subjective market judgements of others. Two cases provide valuable additional insight into this process.

The feeling of entitlement among some Mitchell-Lama residents carries echoes of how these cooperators' almost exclusively White suburban peers view the private wealth gains they reaped from cheap Federal Housing Administration-backed mortgages post-World War II. A concerted government effort to obscure its role in suburban growth and wealth creation by attributing that growth to the vagary of the market defined the White suburban homeowner as the key agent in his and her own wealth accumulation instead of recognizing the irreplaceable role of government subsidy. Not only did this narrative of market-spurred individual responsibility for wealth

accumulation undergird the exclusion of racial others from suburban communities and the opportunities and wealth gains inherent within them, it created a myth that suburban homeowners are entitled to the wealth they have gained because they earned or created it. In this narrative, homeowners are not profiting from government subsidy because government has hidden its subsidy and instead claims that the market and individual initiative created wealth gains.⁵² A Lockean idea of labor creating value operates, as does a belief that the appreciation of initial value without the input of additional labor by the possessor of the property accrues only to that possessor.

While the responsibility for creating wealth might be misplaced in this case, the entitlement to that wealth through federally subsidized mortgages differs from the entitlement observed within Mitchell-Lama conversions debates. In the former, private profit is a hoped-for outcome of public subsidy; in the latter, profit is anathema to its very structure. A similar dynamic of constructing entitlement to profit in the context of non-market housing existed in the transformation of squatter housing on the Lower East Side to legal, affordable housing. While squatters were often initially motivated by a desire to create decommodified, long-term affordable housing out of their squats, the process of transitioning from illegal squatters into homeowners led to conflict over their potential to profit from the housing in the future. Former squatters constructed an entitlement to profit based on the sweat equity—the physical, intellectual, and emotional labor—they had put into the creation of the housing. Eventual profit from the now-affordable housing was, to some, earned; they believed their labor entitled them to not only the property itself but to additional value created through the subjective valuation of that property by others in perpetuity. In other cases, the lack of wealth or income to provide for individuals as they aged led some to argue for profiting from their

⁵² Freund, “Marketing the Free Market.”

housing to take care of themselves, something I articulate below as “profit for personal and familial purposes.”

These arguments for profit had not been present outside the prospect of ownership; the transition from squatter to homeowner—a change in property relations—appeared to affect the values that the former squatters brought to their housing. The spirit of capitalism that surrounds stereotypical real estate in the US, coupled with a desire to get what one has earned and to provide for oneself and one’s family, had effectively created a feeling of entitlement to profit from former squats that had been intentionally structured as long-term affordable housing and supported by government policy and funding to that end.⁵³

The idea that profit is natural or inherent as well as the construction of an entitlement to profit based on it being earned or it being used for personal and familial purposes is evident in the cases of Southbridge and St. James. To these constructions and arguments, I add additional dynamics present at the cooperatives that demonstrate other ways that conversion debates weave market logics into housing meant to avoid them.

Profiting from Mitchell-Lama

The central promise of the Mitchell-Lama program is to make quality homes affordable to middle- and low-income individuals. In a co-op, this affordability occurs on two levels: first, relatively low-cost shares in the housing company, and second, low carrying charges and assessments used to service the mortgage on the cooperative, pay for major capital needs, and sustain basic co-op

⁵³ Starecheski, *Ours to Lose*, 159.

operations. The low barrier to entry into a Mitchell-Lama limited-equity co-op is sustained by resale restrictions on co-op shares, which must be sold back to the co-op at the original purchase price plus their pro-rata contribution to the amortization of the co-op's mortgage.

Robert Perea reported that his family put down \$26,000 in exchange for the shares that entitle them to a three-bedroom apartment, the largest size built into Southbridge Towers.⁵⁴ Such an apartment at Southbridge is now expected to sell for well over \$1 million. If the Pereas were to sell their apartment, they wouldn't take home the full million. As part of the offering plan (the "Black Book") approved by shareholders in the final vote over conversion, initial resales of any shares are subject to a 28 percent flip tax, which is used to offset the increased costs (including an increase in the co-op's property taxes). Even with the flip tax, the Pereas could take home \$720,000. Assuming that the \$26,000 buy-in occurred at the beginning of Southbridge, in 1971, representing an "investment" in 2018 dollars of around \$161,000, that's a profit of \$559,000.⁵⁵

Where does this profit come from? As noted previously, some Southbridge cooperators would argue that it was their labor as pioneers in the neighborhood that built it into the kind of community where apartments could fetch \$1 million price tags. Their ownership over this appreciation, even if it were accurate to say that the development itself was behind such growth in value, notably obscures the government's investments in creating that value, from investing in the complex itself to the infrastructure in the surrounding area. And then there is, of course, the much wider financial system in which real estate in lower Manhattan is a piece, in which apartments in high demand become a

⁵⁴ As multiple apartments in the converted Southbridge are bought by the same owner and combined, this will change.

⁵⁵ This back of the envelope calculation does not take into account what they paid in over the years for mortgage amortization.

financial investment in and of themselves or a convenient and solid depository for wealth.

Regardless of the particular calculus that provided this potential profit to the Pereas, the predominant factors are undeniably public subsidy and market forces, not the labor of the individual cooperators who now possessed the property.

The rhetoric of conversion debates actually reflects this, primarily through the often-evoked metaphor of converting as “winning the lottery.” St. James resident Lawrence Whiteside writes that:

In 1963, I took a chance on a New York State Lottery. Not by the perches [sic] of a ticket, but by investing my meager resources, in 21 Saint James Place, a New York State sponsored, new high-rise apartment building being constructed with funds allocated through a new NYS Residential Housing Construction Fund. ... Now after more than 50 years of shareholder financial investment, when it is actually possible to collect on my wining [sic] ticket. I'm told, by HPD and other city elected officials that It [sic] would be unfair to others, if I cash in my wining [sic] ticket. Are you kidding?

Explicit within Whiteside's argument is the government's role in creating the value that he believes he should be able to profit from. Robert Perea, in relating his attempts to convince a cooperator who didn't understand the possibility for profit before her, even more explicitly articulates the state's role:

She couldn't wrap it around her head that the state would just give her a million dollars like that for doing nothing but voting yes. And you know, there are people who were like “oh, it's not true. Nobody's going to give you an apartment for nothing.” And we would be like

“yo, it's kind of like winning the lottery. If you vote yes, you've won the lottery; you've got this apartment that's worth who knows how much money.”

In Perea's formulation, the state is essentially giving away money—the public subsidy that went into the development of the unit and the ability for a middle-income individual to afford it—when the resale restrictions inherent to the limited-equity model are removed.

This metaphor of conversion as lottery is instructive for another reason: it introduces the concept of risk and investment without return into how one thinks about a conversion. Whereas pro-conversion shareholders tend to speak about the prospects of a market-rate cooperative as only upside with no downside, pro-Mitchell-Lama shareholders commonly foreground the risks to the affordability of the cooperative in converting, just as there's always a risk of not winning when purchasing a lottery ticket. Jan, a pro-conversion shareholder from Southbridge Towers, recognized this risk, and the cost of entering the lottery, as she spoke about whether she thought other Mitchell-Lama co-ops should follow Southbridge's example:

Take my age. I'm 60. When I retire, ... going forward I'm going to be on a fixed income. Do I want to risk not having low monthly maintenance fees? I said, 'Yeah. I'll risk it,' because it looked like a good deal. Other people might not want to risk that, and so depending on where you were, I think that's a real consideration.

Given the risk involved, people with different means are better positioned to take advantage of the possible upside of profit than others; existing assets provide a safety net that allows people to assume the risk that entering the lottery of the market through a conversion implies. The value in

this lottery, like others, is created by the interaction of the state and the market. And like the stories of Powerball winners gone broke, shareholders in converted Mitchell-Lamas aren't guaranteed that their windfall will leave them better off.

While perceptions of where the value accruing to owners of converted Mitchell-Lama co-op units is relevant to this discussion, the larger question remains how cooperators come to feel entitled to benefit from it. Interviews with cooperators from Southbridge Towers and St. James Towers, particularly those who pushed for conversion, indicate that three distinct ways of constructing entitlement operated in their conversion debates and were often utilized interchangeably by individuals: a general right to profit, earned profit, and promised profit. Following a description of these three constructions, I will further outline myriad ways in which cooperators that adhere to them proactively and reactively argue for their validity.

Right to Profit

The clearest articulation of this construction comes from pro-Mitchell-Lama cooperator Roberta Singer, who recalled being yelled at by a Southbridge neighbor from the other side: “You people are keeping us from our God-given right to own our homes! I just ... where the hell does God come into this? And people applauded him.”

Across both developments, pro-conversion cooperators appealed to this general right to profit from their housing. More often than not, this appeal is not explicit, but rather a presumed right to profit from their investment embedded in messages like “This is a once-in-a-lifetime opportunity to help you reach your goals” or “Don't let politically motivated cooperators rob you of your dreams.”

While the constructions that follow include some appeal to fairness, the right to profit is understood

by the cooperators who adhere to it as inherent—a constitutive aspect of housing generally or any situation in which they own something. This perspective is prevalent among pro-conversion shareholders at Southbridge Towers but largely absent from St. James Towers.

Earned Profit

As discussed previously, cooperators often argue that the value of a Mitchell-Lama cooperative apartment, if sold on the open market, is a function of their stabilizing presence in what were previously considered “blighted” neighborhoods—their labor. Pro-conversion shareholders at both Southbridge and St. James Towers utilize this narrative with abandon. Lawrence Whiteside refers to a “right to benefits that we have accrued for ourselves and our families over the past 53 years of diligent management.” A newsletter from Southbridge cooperator Jared Brown claims that cooperators, “for making an investment into then marginal areas, would be rewarded with the option to realize the true appreciation of their investments.” Even longtime pro-Mitchell-Lama Southbridge cooperator Victor Papa now adheres to this conception:

You're creating the community by living there. ... Now maybe these people earned their right to acquire whatever the market will say they should get after privatization. ... These people built this community, they built Southbridge Towers, and now they want to profit from it. I saw nothing radically wrong with that.

Promised Profit

The construction of earned profit is often paired with discussion of the stated intentions of the Mitchell-Lama program or supposed promises made to prospective cooperators. In a notable difference from the previous two constructions, promised profit relies on an external party for the legitimacy of the claim, in this case either New York state or the developers who built the

cooperatives and sold shares to cooperators. Profit is constructed by claiming that it was part of the deal of participating in Mitchell-Lama all along.

Bridget Schuy puts the concept succinctly: “it was designed to go private.” The claim runs that the ability for a cooperative to convert under Mitchell-Lama signals an intention for cooperatives to do so, rather than a potential option or, as was the case with rental developments, a pragmatic change to the program to encourage additional housing creation. While the text of the law is silent on any actual desire or intention for a cooperative to convert—this is notably absent from the “Policy and purposes of article” sections of the legislation—the expectation of a building being able to convert is built into the law.

“This was the deal we all had. Everybody knew it from the beginning,” Jan says. However, many pro-Mitchell-Lama cooperators see this claim as revisionist history, in part because few people could have foreseen the kind of profit that could be made from selling a unit today. The argument that cooperators moved in with the expectation of profiting from a conversion “falls under its own weight” according to Michael Altman; had that been the expectation, people would have bought another home. “People moved here because it was a great deal, the best deal in town.”

While buying into a Mitchell-Lama cooperative has ended up looking like a stellar deal, spurring a mini-industry in blog posts on how to navigate the system for utmost benefit, some developments, St. James Towers among them, had trouble selling shares at the time of construction. Given that the developments were marketed by private entities with a profit motive to sell the shares quickly and turn over operation to the cooperative body, that developers used future conversion as a sales tactic

is a real possibility.⁵⁶ The construction of promised profit is indeed especially prominent at St. James Towers, where Whiteside rages against the politicians who now “want to renege on the promise of “Private Home Ownership” which induced us to move here in the first place” or, as he’s fond of putting it, “a chance to own a piece of the Rock.” (Pro-Mitchell-Lama shareholders at St. James do not share his understanding of the deal.)

Promised profit, then, takes on a kind of legitimacy that a general right to profit or earned profit construction cannot mobilize: it would not be unreasonable for a cooperator to expect this and feel entitled to it if someone had sold them on Mitchell-Lama on the basis of future profit. Whether that’s true is unknown, but the room for ambiguity in this regard presents an opportunity for policy action, to be dealt with in Chapter 8.

Arguing for Profit

A conversion campaign in a Mitchell-Lama co-op is impossible without the support of its board of directors. The board is the governing body that brings forward the various votes to move the process along. Given that the process stretches across years and board election cycles, maintaining control of the board of directors is necessary to realize an ultimate conversion. If the board majority changes hands to a pro-Mitchell-Lama faction in the midst of the conversion campaign, this faction can stop the process dead and send it all back to square one.

Accordingly, arguments for and against conversion do not break out in Mitchell-Lama co-ops only around the three major votes; they’re vital to board elections and to all manner of board decisions

⁵⁶ This research does not deal with this hypothesis, though it presents an interesting opportunity for further exploration.

that have implications for the conversion process: choosing to refinance mortgages and make other major investments with debt among them. Board members often run on platforms as pro- or anti-conversion or are even featured in pro-conversion slates of candidates; these individuals' perspectives on conversion accordingly pervade an expansive range of cooperative decision-making, even when the matters at hand appear unrelated.

All this is to say: arguments for and against conversions were ubiquitous in Southbridge Towers and St. James Towers, regardless of timing in the conversion process. Arguing for one's entitlement to profit from a conversion along one or multiple of the three constructions identified previously were therefore also frequent. A survey of flyers, newsletters, and memos distributed in each cooperative, along with interviews with cooperators, indicates that these arguments were both proactive and reactive. Pro-conversion shareholders proactively sought to argue for the conversion; when they received significant pushback from a pro-Mitchell-Lama opposition, they added to their original arguments to address critiques, often to neutralize the powerful narrative that conversion was driven by greed. Proactive and reactive arguments that support an entitlement to profit from public subsidy seek to normalize profiting as natural, to build empathy for why that profit is necessary, to paint conversion as cooperative and selfless, and to reject responsibility for the consequences of profiting through conversion.


Profit as Natural

The belief that a drive for profit is natural or normal is a core tenet of capitalism and mainstream economic theory. Accordingly, the argument among pro-conversion cooperators that their feeling of entitlement is natural because profiting broadly writ is natural is not exactly surprising. But the context remains unique: this argument exists among owners of a housing company that was

expressly created in order to remove profit from the housing equation. This disjuncture between what is broadly considered normal in the housing market (and beyond) and the intended absence of profit from limited-equity co-ops proves to be a major challenge for such co-ops.

Among pro-conversion cooperators in both developments, the belief that choosing to profit from leaving the Mitchell-Lama program was rational and natural was generally assumed.

**Residents of Southbridge Towers
BE \$MART**



- Don't throw away your WINNING Lottery Ticket! Wake up on October 1st owning an apartment worth \$800K to 1.4 million or more...your future secure! You don't have to sell to receive all the benefits of your equity. *And just think going PRIVATE means no more of those yearly affidavits and apartment visits that are an invasion of your privacy!*
- If you wouldn't opt out if we went PRIVATE, why would you vote against it? If your neighbor has a million dollar apt, wouldn't you be jealous?
- I'm not for PRIVATIZATION because I'm rich. I'm for PRIVATIZATION because I'm not. This is a once in a lifetime chance to own what I couldn't normally afford.
- Now that professional attorneys, tax consultants, and CPA's have debunked every single anti-privitization point, don't you wonder what the oppositions' motivations are? One is a big corporation who wants your money, and the other is 4-5 individuals who *may or may not* be wealthy enough, have lifetime big pensions and/or own other property.
- This plan is for *everyone*, especially the elderly many of whom I remember from my grandma's store on Mott St. My father is a 72 year old stroke victim living on disability only, and he is voting YES so he can secure his equity to receive loans to better his healthcare and his life.
- New York City Real Estate has and always will outperform every other investment known to man! Investment Values continue to rise yearly: 23% in 2013, and another 20% already in 2014. The oppositions many delay tactics have backfired on them. Your apartment is now worth 43% more.

VOTE YES!!

New York Real Estate UP 400% since 1994 and 43% since 2012*

Tom S.

*Shiller & S&P

**\$15,000 or \$350,000?
Which Would YOU Prefer?**

Like many of us here at Southbridge Towers I have been here many years, love living in downtown Manhattan, I think this is a great deal and I have no intention of ever leaving. At least for now. But I'm also not stupid, and I know life has its twists and turns. What happens if I reach an age where my kids have to take care of me, and they're living in California? Or New Jersey? Or what happens if one of my kids needs *my* help, maybe for a childbirth, or for some other reason. Or what happens if I need to move into an assisted living situation, because I just get too frail to take care of myself in my later years? The bottom line is that no matter how much I like it here and plan to stay put, the future is ultimately uncertain. That's how life is.

So, if for some reason I do end up moving out, what will happen to my apartment?

Under the current DHCR regulations, if I move out today I will receive about \$15,000 as the payback on the initial investment my mother made back in the 1970s of approximately \$4,000 for a one-bedroom apartment. That amount doesn't even cover inflation! The DHCR sets these numbers, and that's that. Back in the 1970s, of course, instead of moving here. I could have purchased an entire 4-bedroom house in Brooklyn for the same down payment. I know this because I was looking back then, when houses in Flatbush and Midwood cost about \$35,000. Those same houses today are worth nearly a million dollars each!

If we pass the reconstitution plan, my apartment will now be worth a half million dollars. And if I have to move out, I'll get something like about \$350,000 after the flip tax (28%, in all likelihood) is paid. That's quite a difference!

I can't understand why anyone in their right mind would prefer \$15,000 to \$350,000. It's absolutely crazy. I do understand why people think this doesn't matter to them, because they're living here for the rest of their lives. That's how I feel. But you never know. With all the medical breakthroughs happening these days, including body part cloning and nano-robots that seek out disease before it spreads, who knows how long I'll live or where I'll end up?

And even if I don't ever move out, there are still advantages to the reconstitution plan. I'll be able to borrow against the value of my apartment, maybe to get a summer home or to pay for my kids' education. And I'll have something of value to pass on to them when the inevitable does occur.

From my reading of the Black Book, there is no disadvantage to reconstituting; it's all good. My apartment becomes much more valuable, and I keep paying the same maintenance. Am I missing something? I don't think so. Because that was the whole point of creating the plan in the first place. There isn't some dark force behind this plan, there's a team of lawyers who we hired to come up with a reconstitution plan that would benefit everyone here. And it does. And frankly, should I have to leave someday, I'd much rather get over a quarter million dollars than \$15,000. Wouldn't you?

Gail Leventhal

Figure 9: Pro-conversion flyers from the Southbridge Towers debate

Lawrence Whiteside, explaining his position to me, appealed to my level-headedness: “You’re a rational man, you know what I’m saying.” Tom S., in a flyer circulated to Southbridge residents topped with clipart showing a pot of gold at the end of a rainbow, implored them to “BE \$MART.” Simon asked, “How could someone turn down \$500,000?” Paul Hovitz, who fought to keep Southbridge in Mitchell-Lama, recalls a conversation where he was asked “What are you, crazy? Don’t you want the money?” Robert Perea said about profiting “It’s not bad. Everybody’s a little

greedy. ... We're humans, who wouldn't?" Even Adele Niederman, head of Cooperators United for Mitchell-Lama, expressed that "most of the people are in favor of being allowed to sell their apartment at market price. How could they not be?"

In the wider context of New York City real estate, the notion that profiting from real estate would in any way be considered abnormal is somewhat laughable. It is integral to the identity of the city today. In this sense, you can take a development out of the market, but you can't take the market out of the building—the notion of profit lives on with cooperators steeped in the expectations of the wider environment. Such is especially apparent in another derivation of the normality of profit and the argument for why an entitlement to profit is legitimate: everyone else is doing it, so why shouldn't I?

In neighborhoods like Clinton Hill, Brooklyn, and Manhattan's Financial District, this argument is especially persuasive. Simon, a pro-conversion shareholder at St. James Towers, repeatedly evoked the housing stock across the street that's now sold for hundreds of thousands if not millions of dollars: "What about the people who bought brownstones for \$1 and back taxes? What about them?" Gail Leventhal at Southbridge makes a similar argument: "I could have purchased an entire four-bedroom house in Brooklyn for the same down payment. I know this because I was looking back then, when houses in Flatbush and Midwood cost about \$35,000. Those same houses today are worth nearly a million dollars each!"

Simon and Gail don't include the reasons they decided not to become brownstoners in this appeal to what could have been. At the time, they saw the co-ops as the better deal: new, modern buildings with the promise of stable, affordable housing for years to come, a vision that has largely been

realized. But given that their possible other investments have appreciated to heights unforeseen, the notion of profiting from the Mitchell-Lama unit they purchased knowing that profit was not in its DNA seems self-evident.

Profit for Personal and Familial Purposes

Many Mitchell-Lama developments are naturally occurring retirement communities, known by the guttural acronym NORCs. This designation is used for buildings in which a high percentage of residents are elderly; NORCs are common among limited-equity co-ops in New York precisely because their owners rarely move out. Shareholders like Harriet, pushing 90-years-old, just want to live out their days in places like St. James in stability: “I don’t ever plan on leaving. I decided to stay here as long as I can manage to.”

While pro-Mitchell-Lama cooperators frequently warn of the instability that conversion can bring to individuals on fixed incomes, pro-conversion cooperators argue that the access to capital that it can provide can be used for eldercare and other socially valued expenses. If the time comes that Harriet needs a home health aide, they argue that she could take out a home equity loan to pay for it. When the inevitable occurs and Harriet passes away, she could more easily leave her shares and their lucrative value to family.⁵⁷ Some individuals argue that the “nest egg” they get from a conversion is needed to manage the rising costs of the gentrifying city around them, though this strategy is predicated again on either selling their apartment and likely leaving the neighborhood or borrowing money against their home equity, which must be repaid with interest.

⁵⁷ Current regulations require that family members live with the shareholder of record for two years and share joint financial accounts to be eligible for succession. In some cases where the shareholder is very old, the time period is shortened to one year.

Ensuring that the elderly can age with dignity, passing some inheritance along to support children, and being able to afford to live, not just sleep, in your neighborhood are all personal or familial expenses that profit from a conversion can cover. The near universality of such concerns and aspirations allows most people to empathize with pro-conversion shareholders' desire to profit for these reasons. This makes backing up an entitlement to profit by appealing to its personal and familial purposes a particularly potent argument, one which many pro-Mitchell-Lama shareholders said they understood or had a very difficult time arguing against. Profiting from public subsidy for socially valued personal and familial ends becomes acceptable where an argument for the naturalness of profit falls short.

Swaha Devi, a shareholder at Southbridge Towers, provided testimony that illustrates this effect in a flyer titled "WHY EQUITY MATTERS!" distributed to the complex:

"After living away from Southbridge for a number of years, I returned to help take care of my mother when she began having significant problems with balance after 9/11 and a series of brain surgeries a few years later. Despite miraculous recoveries and great success in therapies at NYU Medical Center, she had setbacks and was rendered unable to walk. I had neither the physical strength to lift her into her wheelchair nor the money to hire full time help, nor did my sister. That wouldn't have been a problem if she had the ability to get a home equity loan to fund assistance at home. But we were not a full-equity co-op. So she didn't have that option.

So at the end of her life, my mother eventually needed to be in nursing care instead of living at home. The decision was entirely the result of financial limitations, but it greatly impacted her quality of life. It hurt to see how long she often waited for an attendant to shower and dress her, and how after additional hospitalizations, bedsores ultimately led to her demise. Worst of all, although she was not incontinent, she was forced to wear diapers because these facilities didn't have enough staff to take her to the bathroom unless she could get herself to the toilet. Thinking about that still makes me feel both horrified and sad.

Access to money for medical contingencies is just one reason that full equity would have been a great boon for us. It's too late for my mother. But if you are reading this, it's not too late for you! Even you don't want to sell, by owning your apartment you will be able to tap into the equity as needed and have that peace of mind—whether to paint, refurbish and do repairs; to make those dream travel plans; pay for your grandchildren's education; or just "age in place" gracefully, knowing you can afford the care you require. I wish that had been true for my mother.

This emotional appeal is, indeed, hard to argue against. But perhaps what is most interesting about Devi's flyer is how it ends: not by exhorting folks who need the funds to pay for needed healthcare to vote for the conversion, but to remind folks of all the areas where they could use more money, "dream travel plans" among them. Jan's argument for the value of conversion based on its benefit for what comes later in life took a similar turn when the inheritance argument held no appeal:

You'd try to reassure some of them saying, "This will give you a nest egg. This'll give you, if you ever do need money, say to go into a good nursing home, you'll have something." Even

if you don't want to leave it to anybody, some people would say, “I have nobody to leave it to. What difference does it make?” You'd say, “Well, how about for yourself?”

How about for yourself, as in, you deserve it, get yourself something nice with that money.

AM 90 YEARS OLD AND I AM VOTING YES



My name is Kathy Appello, a Southbridge cooperator, and my 90-year-old mother dictated the following to me in Italian. I have translated it for you as follows:

Hello. My name is Anna Appello. I am a long time SBT resident and I am 90 years old. I am voting YES for privatization. I was born in Italy and I moved to NYC to pursue the American dream. When I was left with a young daughter to raise on my own, I figured the dream would never be realized. But now we, as a community, have the chance to make the American dream a reality for us all.

Why am I voting YES? Family! Family is the most important thing in my life. I want to live the rest of my life knowing that even though I had to work hard, harder than most in order to raise a child on my own in NYC, that finally, even if it took 50 years, I will be able to leave my daughter with something that I never thought would be possible. I will be able to rest peacefully knowing that my daughter will have opportunities in her later years that I could never have.

Even if I did not have a daughter, I have nieces and nephews and cousins, and I would still vote YES to leave them, my Family, with something that they can have for their futures! And isn't that the American dream? To live a fulfilling life and, when the time comes, to leave your family with MORE than you had in your life? By voting YES, by going Private, we can ALL fulfill our American dreams.

Thank You - Anna Appello

我90歲了、同時我要投YES贊成票!

我的名字叫 Kathy Appello, 南僑股東。本文是我的90歲的母親用意大利話口述, 由我翻譯如下:

我的名字叫 Anna Appello, 我長期住在南僑。我90歲了。我將在私有化投YES贊成。
我是出生在意大利為美美國夢而移民到紐約市。

當我丈夫留下幼女由我獨自撫養時, 我知道我的美國夢絕不可能達到了。但是現在我們, 全社區的居民, 可能讓大家都實現擁有自己住屋的美國夢。

我為什麼要投YES贊成票? 家庭!

家庭是我一生最重要的事。我要在我餘生里清楚地知道, 我含辛茹苦養大一個孩子, 即使苦乾了五十年, 我做夢都想不到的我可以留有價值的公寓給我的女兒。當我知道我女兒可以有比我好的生活, 我可以安心離去。

即使我沒有女兒, 我有侄女侄兒及其他親戚, 我也願意投YES票, 我可留房產給我的家族, 讓他們有較好的生活! 這是不是來美國的夢呢? 過著充實的一生, 當時間到了, 留給家族比自己更豐盛的生活?

只要投YES支持私有化, 我們大家都可以圓我們的美國夢。

謝謝 - Anna Appello

Figure 10: Anna Appello's message regarding family and conversion exhibiting the move to translate many flyers into Mandarin for the significant Chinese population in Southbridge. Pro-Mitchell-Lama shareholders questioned whether the same information was being communicated in both languages.

Regardless of where the funds go, the fact remains that the funds themselves are being gleaned from public subsidy at the expense of other possible beneficiaries of scarce affordable housing. Some shareholders take this argument further to paint not pursuing a conversion in order to support your family as a negative representation of your care for them and a decision that would in theory benefit someone unknown to you as illogical. A flyer from Southbridge Towers signed D. Levine states

“The idea of leaving property which you own to a stranger on a wait list is archaic, outdated, and foolish.” Then 90-year-old cooperator Anna Appello states “Why am I voting YES? Family! Family is the most important thing in my life,” almost implying that a vote to the contrary would downplay the value of family.

Profit, whether used to buy a summer home or pay for a health need, remains profit, accrued on the basis of public subsidy. And just as the universality of these personal and familial expenses make this argument particularly relatable, that same universality reminds us that those potential beneficiaries of Mitchell-Lama co-ops are not likely able to avail themselves of similar sources of funds for elder care or the intergenerational transfer of wealth. The role of home equity as a means for which to pay for such fundamental needs as healthcare further speaks to the role that a lack of a larger social safety net plays in individuals’ search for ways to replace it, even if that avenue is predicated on debt and ultimately undermines another portion of that already frayed societal support system. But such considerations may be difficult when flyers that exhort you to “Vote for Privatization for the Benefit of Those You Love” arrives on your doorstep. Of course, amid the pile of flyers may also be one telling you to, as Roberta Singer put it, “Leave them something that you’ve earned. This is not something you’ve earned.”

Profit as Cooperative

Pro-Mitchell-Lama cooperators at both developments rarely minced words in calling conversion greedy, selfish, and exclusionary; Roberta Singer notably evoked First Lady Michelle Obama, remembering her message at a Democratic National Convention as “And we don’t pull up the ladder; when the door of opportunity opens, we don’t pull up the ladder behind us.”

The continual pushback against narratives that supported an entitlement to profit required response; Wally Dimson noted that an adaptive, tactical strategy was always necessary to counter the argument du jour.

The means of rebutting pro-Mitchell-Lama narratives make conversion out to be anything but selfish—instead, conversion is painted as cooperative, in the sense that while benefit does accrue to some shareholders, benefit is also said to accrue to others, whether it's the city as a whole or families that can now access the apartments outside of years-long wait lists. A rationalization occurs whereby the conversion is actually seen to help rather than hurt outsiders. Only Southbridge Towers cooperators made use of this way of framing conversion; it did not appear in interviews with St. James residents.

The cooperators who did advance this argument claimed that conversion was better for the city as whole because it stopped the cooperative from “spreading the projects” by keeping low-income residents out (perspectives on public housing and its residents as it relates to conversion will be explored further in Chapter 7). They also noted that leaving the program would put the property back on the tax rolls completely.

However more dominant and more interesting is the argument that conversion actually expands housing access. As noted previously, wait lists for Mitchell-Lama units can be notoriously long, in part because developments have both internal and external lists: internal, for individuals with ties to the complex who want to, say, move out of their parents' place vs. external, for those just looking for really any affordable place to live. Co-ops draw from these internal lists first, and only when a unit actually comes back into their ownership (i.e., when it is not passed along in a family through

succession). This is rare, so turnover through the external wait list is even rarer, leading some cooperators to claim that the dissolution of the list system with conversion and the greater number of sales to follow produces more turnover and therefore more accessible housing.

More turnover does occur under conversion; however, to claim that accessibility increases is suspect, in part because of its new cost. At Southbridge, the average transaction to purchase shares in the cooperative in 2017 was \$865,926 (the median was \$775,000); just before conversion, the cost for shares pertaining to a two-bedroom apartment was around \$35,000. This high price point may be cheaper than other cooperatives or condos in the Financial District, but it remains out of reach for a vast number of New Yorkers, not to mention unfathomable for many people who were waiting their turn on the now non-existent external wait list.

Tom, the pro-conversion Southbridge resident who recalled the mound of flyers he'd come home to, characterized the new market-rate Southbridge Towers as providing the opportunity for “younger people to come in and to purchase basically a starter unit in New York City. ... It's offering an opportunity for people who could not afford to live in Manhattan, and they now have an opportunity as part of the decision-making process to now, within a certain monthly budget, to be able to afford to live in Manhattan and to raise their children in Manhattan, which I think is important. Living in the suburbs is entirely different than raising your child in Manhattan or in the city in general. I think it's great to have an opportunity to live in an affordable place in, really, a cool place in the world to live.”

Asked if he thought it was more affordable than before, Tom responded “does it cost you more to buy in? Yes, but if you're a person who wants to own something, it gives you an opportunity to buy

an asset now.” Tom argues that the conversion is not just “an opportunity to put a nice asset on my balance sheet” but rather a way to make housing more accessible. But this accessibility clearly only accrues to a certain kind of family—one of relatively significant means, not the middle- and low-income individuals Mitchell-Lama was designed to serve.

Profit without Responsibility

Robert Perea is not the only pro-conversion cooperator that believes the government should be providing affordable housing to middle- and low-income New Yorkers. In fact, every such cooperator I spoke with was broadly supportive, even if some, like Wally Dimson, thinks current efforts are just putting a finger in the dike. Cooperators of all stripes also describe a fondness and respect for the success of the Mitchell-Lama program; Simon from St. James Towers described the program as “the greatest idea, the greatest concept ... Let them build as many more as they want to.”

But when individuals attempt to keep Mitchell-Lama buildings in Mitchell-Lama, Simon claims that the program “became a monster.” Like Robert, Simon sees the onus on government to build more affordable housing, not preserve St. James Towers or Southbridge Towers of yore as such. As he puts it, “if they need more housing, build more housing, but don’t come and renege on me. That’s not my fault. Go back to all the people they sold houses to for a dollar and say now you have to give up one of your apartments for the needy.”

Efforts to maintain the affordability of existing Mitchell-Lamas, to Simon, are a violation of the profit he believes he was promised at the outset of the program and representative of a double standard, where some housing that’s subsidized must remain outside the market while other housing rapidly appreciates in value. Rather than counter the argument of pro-Mitchell-Lama shareholders by

framing conversion as a good for all, this argument relinquishes any responsibility for the problem to be someone else's to deal with, despite the fact that the very existence of the private government of the co-op board and private company of the housing cooperative is predicated on them providing affordable housing.

While all pro-conversion shareholders construct their feeling of entitlement to profit from public subsidy in at least one of three ways—right to profit, earned profit, and promised profit—not all arguments are used by all individuals or were apparent at both case developments. This raises the question of whether certain individuals constructing this entitlement in particular ways and making certain arguments to support it share common characteristics.

Upon undertaking this research, I hypothesized that three main personal characteristics would be correlated with whether an individual was likely to support conversion or not: (1) that individuals with higher incomes would be more likely to pursue a conversion, in part out of economic disincentive to remain in the co-op based on surcharges tied to their higher income, (2) that older individuals on fixed incomes would be less likely to pursue a conversion, and (3) that individuals that expressed a belief in the importance of affordable housing would be less likely to promote conversion.

While the amount of data available does not allow for significant conclusions, anecdotal evidence shows that the first two hypotheses call for further exploration and the third is likely false—everybody stated a belief in the value of affordable housing, across both sides of the debate. Age

also does not appear to be nearly the strong indicator for someone's position on conversion as hypothesized, in part because of the argument that conversion can support elder care and managing other expenses. However, income looks to be the characteristic most likely to hold true as an indicator.

Shareholders at both St. James Towers and Southbridge Towers frequently pointed to the fact that leaders of conversion campaigns often had second homes, afforded in part because of their decades-long ownership of affordable, stable housing in Mitchell-Lama. This narrative is surely not definitive, especially on the building scale; a New York City Department of Housing Preservation and Development official noted that she saw no correlation between those Mitchell-Lama cooperatives that had converted and the relative income levels of their cooperators as a whole.

Regardless, the narrative of the Mitchell-Lama as second home is potent for indicating what access to affordable housing like Mitchell-Lama co-ops can provide (a path toward wealth building for low- and middle-income individuals) and for what that wealth can mean for the future of developments. Pro-conversion Southbridge cooperator Bridget Schuy, speaking of her co-op, stated:

Clearly, people used it for their *pied-à-terre* in Manhattan. Yeah, I met this woman, she's like, "Oh, I've never seen you before." I've been in the building for 24 years, and she told me how she raised her children. I'm like, "You did not raise two sons in a studio apartment." You know? Plus, if you were in Mitchell-Lama, you would have qualified for an upgrade. You would have gotten a bigger apartment, so apparently, it's been her *pied-à-terre* all this time, and she raised her boys in Florida.

The variety of constructions of an entitlement to profit witnessed in the context of conversion debates at Southbridge Towers and St. James Towers indicate that the prospect of profit serves to introduce the idea of housing as a commodity into models, like limited-equity cooperatives, that



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Allow me to be your Southbridge Towers Real Estate Resource. I will provide you an unbiased, personalized consultation and education on today's real estate market.

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Real Estate Attorney


KATHRYN ACANFORA
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Figure 11: Mailers from BOND New York and CORE NYC real estate firms. The BOND mailer touts the expertise of Bridget Schuy, a Southbridge resident. intentionally seek to remove housing from the market. You can take a building out of the market, but you can't take the market out of the building, so to speak.

As market logic seeps into the operations of the development, it also further compounds. Chris remembers that “everybody from Corcoran to Douglas Elliman to Compass ... and a couple of other of the big real estate firms, were constantly sending mailers. Constantly. At the high time of privatization, when the Black Book was already issued, and people were thinking about voting 'yes'

or 'no' on it, we were probably getting two to three pieces of mail per day from real estate saying, 'Why is it a worthy investment?' So, you just have this inundation of mail going into people's mailboxes. That mail is eventually going to get picked up and read by people. I think that that's what made fighting for Mitchell-Lama so difficult.

Some of those mailers were coming from residents themselves. Bridget Schuy works as a real estate agent for one such major firm in New York, and she was one among many real estate agents soliciting business from Southbridge shareholders soon to be in the market to sell their units. She had internal competition as well. Jan, seeing the conversion coming down the pike, got her real estate broker's license. She notes that "the place sells itself, which is very easy, so after we went private, I said, 'Might as well.'"

Not only did pro-conversion shareholders like Bridget and Jan feel entitled to profit from public subsidy by converting Southbridge Towers from a limited-equity co-op to a market-rate one; they further sought profit by taking advantage of a new market to broker the sale of the apartments just freed from resale restrictions. The individuals on the other side of the transaction in this new arrangement were decidedly not those whose names lingered on a wait list to access affordable housing, a list that no longer led anywhere.

Chapter 5: Altruism, Empathy, and Future Beneficiaries

On October 13th, 2014, twelve days after shareholders at Southbridge voted to convert to a market-rate co-op, Kevin Smith logged onto his Wordpress account and commented on the pro-Mitchell-Lama blog southbridgetowers.wordpress.com:

“I am just wondering what will happen to people who are in [sic] the waiting list. Are they totally out of the picture or do they still have a chance to get in?”

Three days later, Kevin was back after learning that the list dissolved with Southbridge Towers’ conversion. He’d also caught wind of an effort among some pro-Mitchell-Lama shareholders to bring a suit against the housing company, challenging the validity of the conversion vote:

“I would like to contribute. I am not a shareholder, I am on the waiting list. So whatever I can do to help out I would like to do it.”

Kevin’s shot at an affordable apartment in Southbridge was gone, and he was keen to invest financially in the effort to restore that possibility after investing many years on the list. Many cooperators felt for possible future beneficiaries of Mitchell-Lama like Kevin. This crew had decided to vote against conversion at least in part to preserve the same opportunity for middle- and lower-income individuals to access affordable homeownership that they’d benefited from personally.

Pro-conversion southbridge cooperator Gail Leventhal’s perspective sums up their opponents’ view of such a decision: “I can’t understand why anyone in their right mind would prefer \$15,000 to

\$350,000. It's absolutely crazy." Pro-Mitchell-Lama shareholder Paul Hovitz recalls being asked "What are you, crazy? Don't you want the money?"

Crazy—that's the descriptor many individuals and a significant amount of economic theory, which lifts up self-interest as the primary driver of decision-making and the metric for rationality, would use for a person or a decision which is altruistic or which does not maximize the benefit for that individual. In this context, the more interesting question becomes not how or why people construct their entitlement to profit from public subsidy but rather how or why people decided to try to forgo this profit for the benefit of someone else. Given the values-based nature of the cooperative, whether certain Mitchell-Lama co-ops fostered more altruistic decision-making could point to mechanisms for preserving the affordability of the housing beyond financial incentives. This chapter seeks to tease out whether altruism among pro-Mitchell-Lama cooperators significantly influences the conversion votes and how it enters into the public discourse around them.

Following a review of theory on altruism, I will describe the disjuncture between individual motivations around the votes and public arguments made against conversion by pro-Mitchell-Lama shareholders, identify potential instances of altruism and cooperation in conversion votes at Southbridge and St. James Towers, and discuss the consequences of not undertaking empathic arguments.

Altruism in Theory

As outlined in the last chapter, rational action theory states that individuals make choices primarily based upon their own self-interest. However, this paradigm has been broadly criticized, in part based on ample empirical evidence that individuals take into account far more than a rudimentary

cost/benefit analysis when making choices. Sometimes they even make decisions based not on their own benefit, but for others' wellbeing. This incurrence of serious costs on behalf of others' welfare is to engage in altruism.

In conversion debates in Mitchell-Lama cooperatives like Southbridge and St. James, a cooperator could engage in an altruistic action if they believe the conversion to be within their best interests yet they vote against it because of a belief in maintaining the affordability of the cooperative. This amounts to a significant financial cost incurred to an individual for a benefit to the public at large or a possible future beneficiary.

A common pro-Mitchell-Lama cooperator argument against conversion is such a values-based argument: that other middle- and lower-income individuals should benefit from the same opportunity existing residents had to access affordable homeownership. In some cases, this argument is paired with a belief that a conversion is also contrary to an individuals' best interests; such an accrual of benefits to an individual while another individual likewise gains is considered cooperation. Rational action theorists contend that all accounts of altruism actually boil down to cooperation—that cases of an individual acting against their self-interest are misinterpretations of decisions from which the individual is actually benefiting in less obvious ways. Charles Tilly, among others, fruitfully challenge this notion, articulating specific instances when altruism is evident, especially in the context of contentious politics like a conversion debate (he uses civil rights organizing in the face of violence as a key example). Tilly also makes clear that the emphasis on individual-level cost/benefit accounts of contentious politics is flawed from the outset; instead, he reinforces the notion that decisions rarely involve make or break considerations of costs and

benefits. Rather, they are made up of unanticipated, small decisions embedded in highly relational processes.⁵⁸

The conversion debates at St. James and Southbridge fit this bill. Not only are the costs and benefits of voting for a conversion unclear and contentious themselves, but the debates occur within two close-knit communities where the decision has more than quantifiable costs and benefits. From families split down the middle to the phoning-in of death threats, what is at stake in conversion debates spans far beyond the financial considerations to encompass relational outcomes as well. Personal decisions on the matter engage all manner of social ties among people and the dynamics and context of the debate. Accordingly, a broad view of the debates, beyond accounts of whether or not an individual chose to act altruistically, is needed to consider motivations for such decision-making.

Tilly further outlines ten causal mechanisms that might underlie collective altruism—in this case, when a faction of the co-op votes against their interests to stay in the program. While many of these mechanisms are not relevant to the conversion debates, two may help explain the relative prevalence of altruism and altruistic arguments at the co-ops in question: application of straightforward coercion by outsiders (in this case, the role of public officials in the debates) and the activation of shared stories with which defection is incompatible (in this case, arguing for remaining in the Mitchell-Lama program based on its original intent of serving future middle-income and lower-income beneficiaries).⁵⁹

⁵⁸ Tilly, “Do Unto Others,” 49.

⁵⁹ Tilly, 66.

In addition to these causal mechanisms, three varieties of altruism are relevant to interpreting the dynamics of the conversion debate: empathic unselfishness (driven by identification with another individual, as in a potential future beneficiary of Mitchell-Lama housing), communitarian unselfishness (driven by identification with a collective's interests, as in the cooperative body's interest as a whole), and moralistic unselfishness (driven by moral ideals, such as a belief that profiting from the conversion of an affordable housing co-op is immoral).⁶⁰

Taken together, this theory provides a foundation for understanding the possible reasons for the relative prevalence of empathic arguments across the two co-ops, the existence of altruism and cooperation in the conversion debates, and the consequences of not evoking altruism within the debates themselves.

The Prevalence, Viability, and Implications of Empathic Arguments

In the context of the flood of arguments for profit that coursed across Southbridge Towers, the relative rarity with which arguments against conversion evoked an empathy for future beneficiaries arguably points toward the dominant pull of self-interest advanced in mainstream economic theory. Folks like Kevin, monitoring the conversion votes from the wait list on the outside, were rarely present in pro-Mitchell-Lama cooperators' appeals to their neighbors. On the contrary, they advanced an almost exclusively economic argument about risk and affordability for current cooperators.

⁶⁰ Jencks, "Varieties of Altruism," 54.

The situation was notably different at St. James, where one of the overriding public messages in the lead up to the vote on the creation of an offering plan was that other middle- and lower-income individuals should be able to access that housing, especially in the context of a quickly gentrifying neighborhood. Local politicians called on cooperators to forego profit for the benefit of people like them, but who had not had the same opportunity—an empathic unselfishness, in Christopher Jencks’s terms.

Despite this divergence in discourse, pro-Mitchell-Lama cooperators from both Southbridge and St. James regularly reported that an imperative to preserve the limited-equity nature of the cooperative for residents to come was central to their motivations in trying to rally the co-op to their side. The differing prevalence of this argument in public at the two co-ops speaks less to the actual beliefs of the cooperators advancing those arguments and more to different expectations of what would motivate their neighbors—and what arguments would successfully counter the very clear, alluring appeals of pro-conversion shareholders. As the writer of a briefly published blog titled “Untruthbusters for Mitchell-Lama” put it, the arguments against conversion are “complex, nuanced, and not nearly as attractive as YOU’LL BE RICH.”

In interviews, pro-Mitchell-Lama shareholders frequently made their concern for possible future holders of their shares clear. Marlene Steele, a politically connected leader of the pro-Mitchell-Lama side at St. James Towers, asked “why would you not want to leave something intact for people coming behind you—young couples that are just starting out with children, that are just starting their life.” Roberta Singer of Southbridge used a metaphor that echoed her Obama-esque argument to not “pull up the ladder behind you”: “I am my brother’s keeper and I don’t believe when you have an opportunity given to you, you walk through that door and close it.” Her cooperator in arms Paul

Hovitz said that “it was unconscionable to me to make a profit and deny other people that right” to access an affordable unit through Mitchell-Lama.

Hovitz also understood that this argument—one that largely preached an altruistic decision to forego profit for the benefit of unknown future shareholders—was hard for many other cooperators to grasp:

When you bring up the issue about the consequence of taking away the same opportunity from other people that you have, it was, “Well, what is that about?” It’s like trying to explain chocolate to someone who never tasted chocolate. You either get it or you don’t. People say to me, “Why do you do your community work?” And I say, “Well, if you need to ask me that, I can’t explain it to you.”

Michael Altman, the cooperator partial to Squire’s Diner’s banana oatmeal, recalled his wife articulating to him “how unfair it was to the people on the list to get an apartment, how unfair it is to the people who are of moderate income, and here we were, people who had benefitted by getting these apartments.” But while that argument quickly motivated Michael to join on to the campaign against conversion even as a new resident, he noted that “the ethical, while it motivated me, didn’t seem to motivate a lot of people.” Indeed, “the ethical argument ... led me almost nowhere.”

Ironically, while the motivations among pro-Mitchell-Lama cooperators at Southbridge seemed to be primarily based on this ethical argument, they used it far less than their counterparts at St. James, who cited personal financial considerations or concern for existing residents more often than an empathy for future beneficiaries as their primary motivation for involvement. According to Singer,

not making public empathic arguments was a conscious strategic choice, and an ongoing debate, among their faction at Southbridge. Speaking of her collaborator Victor Papa, she noted that “his position was you can’t put your values out there. People don’t care about values. People care about money, they care about what’s gonna be in their pockets, they care about what they can own. And ultimately, he was right.”

Instead of making an argument for future beneficiaries, the overwhelming narrative at Southbridge advanced by pro-Mitchell-Lama shareholders was about the financial risks involved in conversion. Cooperator Chris, who worked with Singer, Hovitz, and Papa, noted that working with both of those arguments was “a doubled-edged sword,” in part because an argument for the social value of the cooperative and more ethical arguments were often associated with “socialism and that kind of red scare mentality” and because the risk argument confined the terms of debate to financial prospects.

To Chris’s point, pro-conversion shareholders at Southbridge gave this values-based, ethical, or empathic argument a different adjective: ideological. Wally Dimson, board president, said as much, acknowledging it as an argument that he understood and respected—but which he considered ideological. Even pro-Mitchell-Lama Victor Papa would use the word, and its negative connotation, to describe his fellow cooperators at Southbridge trying to block the conversion, calling their arguments “ideologically based” or coming from an “ideological opinion.”

This branding of an argument against conversion based on ethics as ideological, when viewed in the context of an argument for profiting from conversion as natural, further speaks to the normalization of profit as a means of construction of entitlement discussed in the last chapter. Putting money in

your pocket was rational; maintaining affordability for those following in your footsteps was crazy and ideological, and therefore less appealing. It was indicative of something wrong or unnatural, an aberration. Chris was among the few cooperators who saw the ideology inherent in arguments for profit, calling pro-conversion shareholders “neoliberals.”

A view of altruism as unnatural or negative was not confined to the pro-conversion side. Staunchly pro-Mitchell-Lama cooperator Roberta Singer took offense at being called altruistic for her values-based argument for future beneficiaries. Asked why, she lobbed another criticism at the concept of an altruistic approach, one that dovetails with others’ characterization of such as ideological:

I don’t think there’s any substance to altruism. I don’t know. I’m not a Goody Two-Shoes. ... I don’t see myself as altruistic. I see myself as having a set of values that puts me in a context of community and neighborhood and other people who are like me but not like me, but people who are connected with one another. I feel like those are my values. I don’t see them as altruistic. There’s something superficial, I think, about altruism.

Singer appears to argue that altruism does not actually exist, in line with rational action theory. Within such theory, ideology—or a commitment to a cause or a belief that provides intrinsic rewards—is among those factors that some theorists believe turns what appears to be altruism into cooperation.

Dimson articulated another dynamic at hand which diminished the apparent benefit of advancing empathic arguments at Southbridge Towers: although most cooperators had a favorable opinion of the Mitchell-Lama program’s production of affordable housing, believed government should

provide more affordable housing, and said they understood the argument for maintaining their co-op in the program, these feelings were simply outweighed by the allure of profit. Individuals believed the empathic arguments against the conversion, but they coexisted with their construction of entitlement to profit; when they fully realized the latter, the “ideology” lost out. Dimson told the story of one of the last couples to get in off the wait list before Southbridge’s conversion vote occurred. They initially expressed wanting other families to have the opportunity they had been afforded, then (according to Dimson) changed their tune when they realized that the shares they paid \$35,000 for would be worth approximately \$1.1 million if the “yes” vote prevailed. Believing the empathic arguments to be too weak to overcome this pull of profit, pro-Mitchell-Lama shareholders at Southbridge chose not to make them.

Internalizing the Need for Affordable Housing

Some shareholders believe this ineffectiveness is due to a lack of proximity to or internalization of the problem that could breed an empathic unselfishness. As Victor Papa, who continues to work as a housing activist on the Lower East Side, put it with regard to Southbridge shareholders:

For the most part, they never internalized the seriousness of homelessness. These were working families; they were middle-income working families, all right? And that doesn’t necessarily mean that they had empathy with the circumstances with people that had less than them. They were not in touch with them. I was.

Michael Altman expressed this understanding as well, evoking the distance of the British royal family from commoners:

I think that the preponderance of people are [sic] just ... considering themselves and not really considering the fact that past a certain point, your children stop having an understanding of the world they live in and only understand the microcosm. It's the way, if you watch *The Crown*, it's the way the royals grow up. It's the way wealthy people grow up, without quite getting what it's like on the other side of town.

This internalization of the necessity of affordable housing, and its link to arguments against conversion based on an empathy for future beneficiaries, appears to be instrumental in why such arguments were more prominent at St. James than at Southbridge. Pro-Mitchell-Lama cooperators at St. James frequently referred to the gentrification of Clinton Hill and surrounding Brooklyn neighborhoods when speaking about their motivations to keep their co-op accessible to future generations. Graham, a pro-Mitchell-Lama shareholder at St. James, explained that “it’s going on everywhere with gentrification and everything. It’s becoming an issue everywhere, so I think the options are more limited than people realize.” The displacement that cooperators saw going hand and hand with this gentrification thus brought the need for options like Mitchell-Lama closer to home. Given the residential character of Clinton Hill, this proximity is quite literal.

Among Southbridge cooperators, gentrification, when referenced, largely referred to a process occurring in other parts of the city. “I think the reason why I felt so passionately about the housing complex was not just about the community, but also because I felt it was symptomatic of the greater feelings that I’m feeling towards the changing city,” Chris explained. “It was really synonymous with how I feel that the old city is pretty much dying and changing to a different city.” Rather than gentrification and residential displacement close to home, many Southbridge cooperators instead noted how expensive businesses were becoming in the Financial District. Given that the

neighborhood only recently became significantly residential and instead has long been a place for government buildings, offices, and, to a lesser extent, shops, it is possible that the land use profile of the neighborhood affects the process of cooperators internalizing the need for affordable housing, and thus their feelings of empathy toward future beneficiaries. Rather than the change in the neighborhood signaling the potential displacement of individuals with income and wealth profiles similar to their own as at St. James, Southbridge cooperators began to find themselves priced out of retail establishments. They appeared to respond in two ways: constructing their entitlement to profit from conversion by expressing a need for additional funds to manage the growing expense of remaining in their neighborhood (profit for a personal and familial purpose) and organizing, through the Save Our Seaport campaign, against the Howard Hughes Corporation, the primary landowner and commercial landlord in the South Street Seaport area directly abutting the Southbridge Towers complex. Gentrification, in this case, did not translate into an internalization of the need for affordable housing.

In Clinton Hill, St. James Towers existed within a landscape of residential gentrification and displacement which drove the terms of the conversion debate toward consideration of future beneficiaries and therefore a greater prominence of empathic arguments. In the Financial District, Southbridge Towers witnessed a shift toward luxury commercial developments that caused cooperators to question whether they would be able to afford to shop in their neighborhood, pushing them toward arguments that were primarily about the financial wellbeing of existing residents. Whereas St. James's context lent itself to the construction of an empathic unselfishness and made an argument for such more appealing, Southbridge's context, perhaps, did not.



Figure 12: Southbridge Towers backed by Frank Gehry's 8 Spruce Street and One World Trade Center under construction | Photo by Mark & Andrea Busse

The Existence of Altruism and Cooperation

While some pro-Mitchell-Lama cooperators reported being motivated by empathic unselfishness, a question remains as to whether their actions can be truly regarded as altruistic. Altruism refers to an instance in which an individual incurs a cost for the benefit of others. Pro-Mitchell-Lama

shareholders, if their votes could be considered altruistic, would have to believe that they were foregoing their best interests in voting against the conversion for the benefit of future beneficiaries, because they thought it was best for a broader public, and/or because of a moral belief that profiting from their housing was wrong.

As noted previously, this was not always the case. At St. James, the majority of pro-Mitchell-Lama shareholders I spoke with believed a vote against conversion to be in their financial best interests. Not only did these shareholders believe that the affordability of the co-op would be lost in the medium-term and thus negatively affect them; they also saw few good options for selling and finding another decent home in what some characterized as a discriminatory housing market—a racial dynamic that will be further explored in Chapter 7. This vote against conversion for their financial self-interest is notable in that it had little to nothing to do with the availability of low-cost financing from the state—the primary incentive that the New York State’s Department of Homes and Community Renewal and New York City’s Department of Housing Preservation and Development uses to entice Mitchell-Lamas to remain in the program. Regardless of how that interest was calculated, in voting for what they saw as benefit to self and benefit to future beneficiaries, these shareholders engaged in cooperation—a decision that benefits both parties—rather than altruism, in which the deciding party incurs a cost.

At Southbridge, the majority of pro-Mitchell-Lama shareholders believed that they were making a decision against their best financial interests. This indicates that their decisions were likely altruistic; they were incurring a cost to themselves for the benefit of other future beneficiaries. In Wally Dimson’s and Victor Papa’s estimation, they were “ideologically motivated.” Referring to the

financial benefit he ultimately did incur, Paul Hovitz stated that pro-conversion shareholders “took me kicking and screaming to the bank.”

The extent to which this altruistic approach to the vote manifested among the other 372 cooperators who voted against the conversion is, however, unclear. And while the number of interviewees in this study is too small to draw conclusions about what characteristics were instrumental in this altruistic choice, the intersection between this ideal and the professional identities of the pro-Mitchell-Lama cooperators who embody it is telling. Chris is a designer and historian engaged in progressive community organizing. Marlene Steele directly tied her work as a social service provider to her belief in the importance of maintaining Mitchell-Lama. Paul Hovitz worked for years as a special ed teacher and continues to serve on the local community board. Victor Papa, in explaining the relationship between his housing work on the Lower East Side and his vote against the conversion, stated “how could I not? ... What’s the contradiction that would convey?”

Each of these individuals found the values they cultivated in their work and thus broader identities to be at odds with profiting from the conversion and removing affordability restrictions on their communities. Other cooperators opted primarily for whatever they thought best for them financially, and the benefit to future beneficiaries bolstered their arguments or was sidelined as a consideration for being “ideological.” While the altruistic choice among cooperators appears to have been rare and surely was not prevalent enough to collectively prevent a conversion, altruism does manifest in the cases of Southbridge and St. James. Rather than an outgrowth of the cooperative setting itself, acts of altruism in the vote appear to be more connected to individual identities than collective ones.

However, as noted previously, even the cooperative settings do appear salient in whether or not empathic arguments were prominent in the debates. The existence of these arguments may have an important effect on instances of altruism and how individuals think about their housing.

The Consequences of Leaving Empathy Out

While the scale of the presence of altruistic choices in the conversion votes at Southbridge and St. James is not clear, the circumstances of each debate point to the important role empathic arguments—or the absence of them—played. The breakdown of instances of altruism among pro-Mitchell-Lama shareholders and of empathic arguments across the two developments appears contradictory. At St. James, more pro-Mitchell-Lama shareholders saw their votes as in line with their financial best interests though their public arguments included empathic arguments more prominently. At Southbridge, more pro-Mitchell-Lama shareholders appeared to engage in altruism, but they foreswore making public, empathic arguments.

The intervention of public officials in the public discourse around St. James's possible conversion looks to have deepened the use of empathic arguments in that debate. The officials directly appealed to shareholders to make selfless decisions and to feel empathy for individuals like themselves who could take advantage of the housing later on. Viewed in the context of Tilly's causal mechanisms for collective action, these public officials' involvement can be interpreted as an "application of straightforward coercion by outsiders." While coercion carries with it a negative connotation—one that pro-conversion shareholders actively used when branding officials' statements as coercive—the officials sought to use empathic arguments to sway shareholders toward a vote to remain in the program. According to some pro-conversion shareholders, this tactic was effective.

At Southbridge, such arguments were considered to be a tactically inefficient; pro-Mitchell-Lama cooperators presumed that they would be ineffective in part because of the dominance of different narratives of profit and the sidelining of empathic arguments as ideological. However, as Chris noted, leaving out altruism from the public discourse confined the debate to a narrower field: whether or not financial benefit to shareholders would actually be realized through conversion or how risky converting was for people worried about being priced out of a converted market-rate co-op.

By confining the debate to financial benefit or risk, pro-Mitchell-Lama cooperators may unintentionally further the perception of co-op shares as commodities and constrain mechanisms for constructing altruism. A purely financial debate commodifies housing that was intended to exist outside of the market, solidifying market logic within discourse around the future of the cooperative. If, as John Fratta put it in a flyer, “THE MOST IMPORTANT DECISION ANY OF US WILL BE MAKING FOR YEARS TO COME AT SOUTHBRIDGE” is made strictly on the basis of a debate about money, the range of real outcomes are limited and future debate over what purpose the co-op should serve is effectively cut off.⁶¹ The housing no longer exists for the benefit of middle- and low-income individuals generally; it exists for whatever purpose will most financially benefit the current owners, whether that means converting or staying in the Mitchell-Lama program. Normative considerations, such as preserving the affordable housing for future beneficiaries, is moved outside the realm of political discourse by the terms of the discourse itself.

⁶¹ Connolly, *The Terms of Political Discourse*.

In making the conscious, strategic choice to leave empathic arguments out of the debate, Southbridge’s pro-Mitchell-Lama cooperators played a role in the financialization or commodification of their home. In doing so, they also closed off some of the causal mechanisms for collective action that Tilly articulates, primary among them the “activation of shared stories with which defection is incompatible.” Without the narrative of maintaining the limited-equity status of Southbridge as integral to the identity of the community, defection (in this case, a vote for conversion) did not exist; it was simply “rational” to vote for one’s financial well-being.

This sidelining of the empathic argument also freed up room in the conversion for arguments supporting an entitlement to profit based on profiting for personal and familial purposes. Pro-Mitchell-Lama shareholders at Southbridge noted that they understood or empathized with the appeals outlined in the last chapter regarding elder care, managing expenses, and leaving something for children. These claims became the dominant normative claims in the conversion debate while those for future beneficiaries—which are arguably embedded in the very structure of what was then a limited-equity housing cooperative—went un-argued.

While the scale of “pure” altruism in the conversion debates is unclear, it is unlikely to be significant enough to win a complex-wide conversion vote unto itself. Those hoping to preserve co-ops like Southbridge and St. James as limited-equity should not expect most individuals to maintain the affordability of their housing in the face of profit based on the interests of unknown future beneficiaries. However, analysis of these two cases does indicate that empathic arguments are likely more effective and more prominent when cooperators internalize a lack of affordable housing and a

threat of displacement from individuals like them in their neighborhood. This review also demonstrates that arguing for empathy, even when it does not appear to be strategic, serves to maintain the idea of the cooperatives' purpose as affordable housing for future beneficiaries, to occupy a crucial discursive space for normative or ethical claims, and to allow for the narrative of benefit for future beneficiaries to remain salient in the debate. The involvement of public officials making empathic arguments also may be important as outside parties maintaining this narrative.

The case of St. James indicates that cooperation—in this case voting against conversion based on the belief that maintaining Mitchell-Lama was best for both the current shareholders and future beneficiaries—was salient in the co-op remaining limited-equity. The link between cooperation and the cooperative are not ancillary; the attempt to provide benefits for all owners in the housing company is a central charge in the governance of the cooperative. How cooperators at Southbridge and St. James understand their ownership and control over the cooperative has important implications for the endurance of Mitchell-Lama and limited-equity co-ops generally.

Chapter 6: Ownership, Governance, and the American Dream

When I reached Lawrence Whiteside, an original cooperator and board member at St. James Towers, by phone in early January, he referred me to his collected writings on the board's push toward conversion—twelve pages of flyers with titles like:

“About Transitioning from Mitchell/Lama Coop to Private Cooperative Status,”

“Just a Few Words to My Fellow Seniors At 21 Saint James Place,”

“The Proper Role of HPD in the Supervision of Mitchell Lama Coops,” and

“Do We Really Want to Give Our Homes to HPD For Public Housing?”

We Should Be Very Alarmed by This Latist Attempt [sic] To Steal 21 St. James Pl.”

Most ended with a classic Franklin D. Roosevelt quote, italicized and capitalized: “*WE HAVE NOTHING TO FEAR BUT FEAR ITSELF.*” This forceful coda felt out of place in the context of our initial conversation. Whiteside's gravelly voice had been calm and matter of fact, uninterested even in my questions about a topic he'd spoken about in the press. But the passion and frustration that Whiteside brought to the debate around conversion became clear in a follow-up conversation. I asked whether or not he thought shareholders should be able to sell their units at market prices.

“I DESERVE TO OWN THIS APARTMENT,” Whiteside yelled, before a coughing fit took over. At 80-some-years-old he tried to no longer speak about the conversion because of how worked up he became. He preferred to make his points on paper.

Whiteside argues that St. James has been working towards conversion since the day the co-op was constituted as a Mitchell-Lama, in pursuit of a “collective dream of private homeownership.” He considers public intervention, such as public officials arguing against conversion or the city’s Department of Housing Preservation and Development’s (HPD) offering of incentives to remain in the program, an intrusion in the private governance of the cooperative. The realization of true homeownership, in his estimation, means both self-governance unfettered by government oversight and the ability to sell his shares on the open market.

These arguments elucidate a key dynamic linked to—but larger than—the financial and values-based considerations outlined in the last two chapters: questions of ownership and governance within Mitchell-Lama co-ops. In the American context, where homeownership is deified, how Mitchell-Lama cooperators think about their ownership of shares in a limited-equity cooperative affects how they approach a potential conversion. Because ownership is often thought to imply full control of a property, free of considerations for neighbors or the oversight of government, the landscape of governance in a limited-equity co-op – from within and without—intersects with ideas of ownership to shape debates and decisions over conversion.

Homeownership, the American Dream, and the Cooperative Exception

The stereotypical view of an owned home in the United States, and the most prevalent embodiment of attainment of the American Dream, is not a collectively owned multifamily apartment building in

Brooklyn. This statement seems somewhat ridiculous next to the vision of a single-family home with a lawn, maybe a porch, a two-car garage, and, perhaps, the picket fence that dominates American stereotypes of home. Rather than the outgrowth of any “natural” process, the hegemony of this idea of ownership, and the moral value accorded to it, stems from a concerted effort to instill its primacy pushed by government, business, and culture makers since the early 20th century.⁶² In pamphlets and through CBS broadcasts from the basement of such a stereotypical house sited temporarily on Manhattan’s Park Avenue, promoters from the president to realtors constructed an ideology that elevated homeownership as a prerequisite of good citizenship and the marker of a social and moral milestone.⁶³

Just as the creation of a winning narrative in the conversion debate at Southbridge required discrediting its competitors, building an ideology of homeownership predicated on the single-family home required the denigration of collective housing arrangements. Not only were collective arrangements equated with the supposed dangers of socialism and communism, cooperative ownership was branded as an alluring trap that would ultimately lead to overexposure of the family to dangerous outside influences.⁶⁴ The predominance of this ideology means common interest housing like cooperatives violate the basic assumptions of most Americans when it comes to housing.⁶⁵ The public obligations associated with collective ownership are made immediate through the use of a private government of peers to administer their shared property; rather than the private

⁶² Vale, “The Ideological Origins of Affordable Homeownership Efforts.”

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ Silverman, Barton, and University, *Private Property and Private Government*; Vale, “Public Housing and the American Dream.”

ownership conferring isolation, private ownership in a cooperative necessitates interaction with other shareholders.⁶⁶

The mismatch between American expectations for housing and ownership and the limited-equity co-op is multiplied in the case of Mitchell-Lama. The regulatory oversight and the subsidization of the state and city, along with the public-serving intention of the Mitchell-Lama program, often lead to a conflation of ownership, governance, and supervision. While the co-op is a private entity, it was formed for a public purpose and is supported by public money. While the co-op is privately governed, it is also constrained by public policy and regulation over how the co-op can operate, including in some cases the state and city approving or disapproving co-op decisions. While the shares of the co-op are wholly owned by its residents, state- and city-enforced resale restrictions constrain what that ownership entitles residents to do. Mortgages provided by the state to the co-op further complicate the ownership picture.

Of course, these muddied waters are present within the stereotypical private, single-family home as well. Government-backed mortgages are ubiquitous. Homeowners are constrained in what they can do with their property by city and state ordinances, homeowner association bylaws, and mortgage provisions. Many housing scholars take issue with the term “subsidized housing” as a catch-all for affordable units produced with government funds, in part because all kinds of housing, from luxury towers to humbler private duplexes, are subsidized by the government in some way—with tax abatements or mortgage syndication.⁶⁷ But the narrative around homeownership and housing

⁶⁶ Silverman, Barton, and University, *Private Property and Private Government*; Vale, “Public Housing and the American Dream.”

⁶⁷ Schindler, “Architecture vs. Housing.”

development obscures these nuances; next to that straightforward story of private property and personal control, the limited-equity co-op looks like an aberration.

The co-op itself may be unusual in the American context, but it is actually quite pedestrian in New York City. Despite the concentration of co-ops in the city, however, the co-op form (market-rate or limited-equity) carries its own contradictions. The co-op is a company; companies generally have a duty to maximize the benefit to their shareholders. While most shareholders rarely referred to the housing co-op as a company, Simon, a pro-conversion shareholder at St. James Towers, referred to it consistently as his corporation, using the term “game” to refer to a mechanism for making money: “it's truly in the best interest of people to wanna be for themselves, their family, and their corporation. Now, their corporation is their game.” In the case of a Mitchell-Lama, whether conversion is actually beneficial or part of a money-making game is contentious. Even if it is, the company also exists specifically to serve not just current residents but future, middle- and lower-income ones. These dual priorities prime a stage for conflict.

Furthermore, the co-op board acts as both a company board and a governing body: while they owe a fiduciary duty to their shareholders and seek to ensure the financial health of the co-op, they also promulgate rules about how life proceeds within the cooperative development and make investments in the community events and spaces, shaping the daily interactions among cooperators just as city government does across the five boroughs. This vision of the co-op as a government takes a clear shape in board elections, where groups internal to the co-op like Southbridge Rights endorse slates of candidates much like a political party.

Such a varied, unclear, sometimes conflicting idea of what a Mitchell-Lama housing cooperative is, who it's meant to serve, and who makes decisions about what that means likely make reforms in service of clarification attractive. Conversion presents that option. "Privatization," a commonly used term for a conversion, accurately depicts conversion's way of removing many of the "public" aspects of cooperative life, from purpose to oversight. But those public aspects are precisely what made Mitchell-Lama such a successful program for providing and maintaining affordable units for middle- and lower-income individuals. In this sense, clarification through conversion has more to do with a move toward what is familiar or paradigmatic—individual control and ownership—than what decision necessarily serves the public—or private—good. However, other ways of clarifying the structure and purpose of Mitchell-Lama without dismantling it are possible; understanding what those might look like requires delving further into how shareholders like Simon and Lawrence Whiteside conceive of ownership.

The Ownership of Non-Profit Property

When Whiteside shouted about deserving to own his apartment, he intimated what almost all the pro-conversion shareholders I spoke with believe: that owning shares in a limited-equity cooperative is not homeownership. An undated installment of the Southbridge Owners Shareholder News, published and distributed by pro-conversion group Southbridge Rights, called for a term other than conversion or privatization to be used in the debates: "we still think 'normalization' is a more accurate term—becoming a normal apartment co-op—but this is not time to quibble over language!" But this quibbling is revealing: these shareholders paint the limited-equity arrangement as abnormal, something needful of correction.

While pro-Mitchell-Lama shareholders do not share the same opinion of the cooperative structure as defect, many share the idea that they aren't real owners. Marlene Steele, of St. James Towers, in speaking about some of her neighbors' desire to leave the program stated "If you want to do this, I get it. You wanna own something, but that wasn't the purpose of Mitchell-Lama." Her pro-Mitchell-Lama neighbor Wenna had a more ambivalent outlook on the nature of ownership in her co-op: "I don't think about it. It's a home for me."

Wenna, Steele, and Whiteside were all well aware of the details of their limited-equity status and the distinction from renting; other cooperators on both sides and in both co-ops were however convinced they were renters, not owners—even if that ownership was considered partial. Roberta Singer noted that "people moved in here and didn't know what Mitchell-Lama was. They didn't know or care about the history." Many shareholders thought prior votes in the conversion process had already thrust the co-ops into the market.

As politicians' statements following the fire at Dayton Park Beach (discussed in Chapter 2) displayed, this confusion around tenure and the status of Mitchell-Lama co-ops extends beyond shareholders. Roberta Singer recalls her frustration with the state Attorney General's office: "the lawyers kept saying tenants. We're not tenants. . . . I think one of the things we were trying to get through was that there's a mindset. When you say tenant as opposed to cooperator or shareholder, there's a whole different mindset that brings up." Given that a primary motivation behind the creation of limited-equity co-ops is to provide affordable homeownership opportunities—a missing link between rentals and stereotypical homeownership—this perception of limited-equity ownership as false ownership is concerning; the housing type's promise is undermined by beneficiaries not

seeing themselves as homeowners, causing them to aspire to the American ideal of a more paradigmatic form of homeownership in the form of a conversion.

Southbridge shareholder Jesse Mandel explains how many pro-conversion shareholders construct “true” homeownership in a flyer reprint of an op-ed in the *Downtown Express*:

“Obviously Mitchell-Lama home ‘ownership’ is not true homeownership. If you can't sell or bequeath your property, even to your own family, what strange kind of ‘ownership’ can that be?” In Mandel’s—and most pro-conversion cooperators’—estimation, ownership means being able to sell your shares at market rates.⁶⁸ Whiteside echoed this: “I don’t think of us as the owners, because I

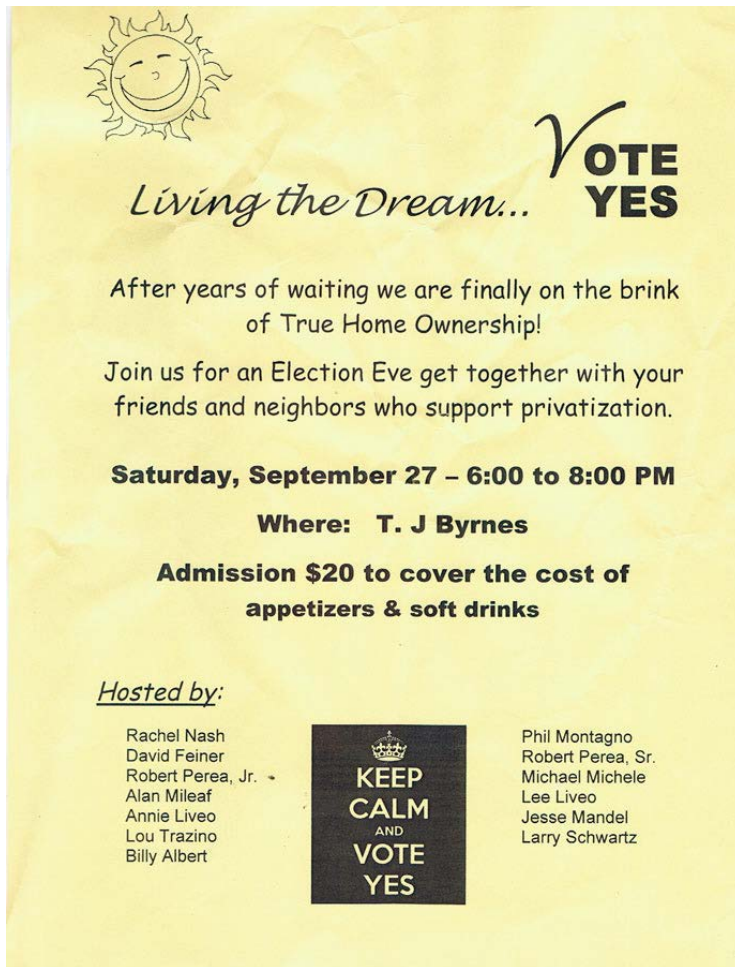


Figure 13: A flyer from Southbridge Towers showcase both a (likely unintentional) evocation of the American Dream and a characterization of market-rate co-op ownership as “True Home Ownership”

⁶⁸ Owners can sell their shares back to the co-op; family members can succeed as shareholders if specific rules are followed.

can't function as an owner. ... It is not the same as ownership if you cannot sell your apartment.”

While his argument also contains elements of concern with governance (considered later in this chapter), profit is considered a key element of true ownership. Pro-conversion shareholders not only seek profit when attempting to leave the Mitchell-Lama program; the attainment of that profit is central to their conception of themselves as homeowners.

The link between a conception of “true” homeownership and an ability to profit from that home exhibited in the conversion debates at Southbridge and St. James neatly indicate the capitalist nature of the American Dream. Lawrence Whiteside, in his flyer “About Transitioning from Mitchell/Lama Coop to Private Cooperative Status,” weaves together these threads:

Private ownership of Real Property is the bedrock of the American system of free enterprise. The accumulation of any individual wealth, in America, usually begins with the individual ownership of Real Property, which can be used as collateral when a home owner wants to attempt to start a business, pay for emergency family medical needs, pay College Tuition for children or advance personal education, for upward mobility.

In America, Home Ownership is the first step in the creation of personal wealth that can be transferred to other family members, such as Life Mats [sic], Children, and Siblings. Home ownership is also the first step in acquiring status as a First Class Citizen in America (Owning a piece of the Rock). Ownership of Real Property gives the owner the essential first step in becoming a person of economic substance in American Society.

Whiteside's manifesto is a good articulation of the American Dream's connection with homeownership, its capitalist underpinnings, and, most interestingly, the connection that he, among other cooperators, make between being full citizens or fully American and being able to profit from the sale of their housing. Robert Perea, the Southbridge shareholder now working to help another Mitchell-Lama convert, noted that "One of the things I would say at the meetings was, you know, 'one of the tenets of capitalist America is to own your own home. That's one of the big things: are you a homeowner? Why don't we want to own our own homes?'" Even Graham, a pro-Mitchell-Lama shareholder at St. James, expressed understanding for this perspective: "They're out to make money, which is the American Dream. I get that."

In the context of the limited-equity co-op, this equation of conversion with a pursuit of the American Dream or of becoming a full citizen calls to mind the ways making profit natural allows market logic to seep into the cooperatives. A construction of ownership as real only when profit is possible and profiting from housing as central to the American Dream further inhibit the limited-equity co-op from being truly removed from the market. This conception of normal, and of what it means to be American, fuel perspectives on the limited-equity form as abnormal.

The irony in these cases is palpable: whereas being self-made or earning one's status in the middle-class through individual initiative is usually a central scene in the American Dream, the Dream through Mitchell-Lama is quite different. You live the dream by "winning the lottery" on a Mitchell-Lama unit, then reaping a profit from government subsidy that's collectively provided by taxpayers to a cooperative meant to serve a broader public. This is closer to the true story of the creation of the middle class through subsidized suburban mortgages than what's typically attributed to individual initiative and told as part of the construction of the Dream. The irony continues: these

pro-conversion individuals have already reached the goal of homeownership; some have even gone above and beyond the Dream and purchased second homes, been able to send their kids to college, and live a stable middle-class existence in New York City of all places. Yet without ownership implying potential profit, the Dream, to them, remains out of reach.

If cooperators do not consider their ownership to be real and ascribe to the aspiration enshrined in the American Dream to own their own homes (and be able to profit from them), the limited-equity form will forever be untenable as an end state. The only way to reach their goals and attain full American-ness is through conversion, whether or not it is a better financial decision or regardless of their empathic views toward potential future beneficiaries. This conversion process takes place through processes of internal and external governance, arenas where the idea of ownership is further constructed.

Cooperative Governance in Theory

The question of whether to vote for the conversion of a Mitchell-Lama co-op is, at heart, a governance question. A vote to convert is both a financial decision and a decision on the rules governing the cooperative. Only by changing the rules is the presumed financial benefit, received through the eventual sale of a share on the open market (or borrowing against the value of the share), able to be realized. The one-member one-vote, self-governance structure of a shared resource exhibited in the housing cooperative lends itself to analysis as a common pool resource—a resource that benefits a group but can be degraded by beneficiaries' pursuit of their individual self-interest.

Conversion in the common pool resource of a Mitchell-Lama co-op can be viewed in two ways. Either the cooperators at St. James and Southbridge degrade their common pool resource of the

cooperative when they vote for a conversion—reaping personal gain while potentially negatively affecting other users of the resource—or they simply change the rules of its management. I believe both frames are valid; this double applicability means conversion provides a particularly interesting window into the greater governance processes of the cooperatives. Accordingly, theory on decision-making among cooperators in a common pool resource and the factors that affect the durability of such resources provide a useful framework through which to view the conversion debates—and to assess how the debates themselves might undermine the overall nature of the cooperatives.

Just as the acts of collective altruism discussed in Chapter 5 cannot be viewed as isolated, mechanical cost/benefit calculations, decision-making in the context of a common pool resource involves a calculus of expected benefits, expected costs, internalized norms, discount rates, and contextual variables to come to “informed judgements about uncertain benefits.”⁶⁹ This theoretical stance recognizes that benefits and costs are often perceived differently given the complex environments in which such collective decisions are made and the unique qualities of members. These qualities may leave some cooperators more exposed to downside risk of a rule change than other members. Further, the norms decision makers have internalized with regard to the nature and purpose of the cooperative and the intentions of their fellow members feed into collective decision-making, as do, in the case of the conversion, a lack of, skewed nature of, or varying perceptions of information on conversion’s implications. All of these processes exist within the governance structure of the housing cooperative and are shaped by it—the activities of this and other political structures can help explain the behavior and outcomes in common pool resource institutions like Mitchell-Lama co-ops.⁷⁰

⁶⁹ Ostrom, *Governing the Commons*, 208-209.

⁷⁰ Ostrom, 193-195.

Two of Elinor Ostrom's eight design principles for long-term survival of self-organized common pool resources appear particularly relevant to understanding the course and consequences of Mitchell-Lama conversion debates: (1) congruence between appropriation and provision rules and local conditions and (2) collective-choice arrangements.⁷¹ In the context of the limited-equity cooperative, the first principle states that in order for the co-op to survive, the board of directors should govern the co-op based on benefits to the entire cooperative rather than for individual gain. If board members are pushing for a conversion in service of their individual profit with less attention to what conversion entails for the entirety of the cooperative, this may indicate that the co-op is fragile and may not survive.

The second relevant principle refers to the ability of most individuals affected by the rules of an institution to participate in their modification. The Mitchell-Lama conversion process arguably gives all members in the cooperative a vote on whether or not to remove the cooperative's limited-equity status, though for other co-op matters this may not be the case. In delving into the governance structures and processes at Southbridge and St. James Towers, I will use these principles to consider the strength of the cooperative as a common pool resource.

While housing cooperatives are quite distinct⁷² from other cooperatives—among them financial, electrical, telecommunications, agricultural, consumer, and retail cooperatives—theory on their

⁷¹ Vogel, Lind, and Lundqvist, "Who Is Governing the Commons," 431-432.

⁷² While housing cooperatives, like other worker- or consumer-owned cooperatives, ostensibly serve their members and seek to channel savings or profits toward their financial benefit, they do not have a growth imperative and often do not grow as a traditional business might. Unlike other businesses, housing cooperatives are rarely if ever in a position to expand their "product" (for housing, units) to either pass on savings to their consumer members or profits to their worker members; instead, they are focused more on survival and maintenance. Furthermore, the nature of Mitchell-Lama conversion is quite distinct from a cooperative's dissolution: a conversion only removes the affordability restrictions upon units in the cooperative and does not actually affect the underlying cooperative structure (the development becomes a market-rate cooperative upon a conversion) whereas in a cooperative dissolution the

governance and factors related to their dissolution are also useful to analyze the Mitchell-Lamas in question. In consumer cooperatives, provision of high quality products and services to members at reasonable prices and the distribution of dividends is common across cooperatives; dissolution may occur when market competition presents a competitive alternative to these services and benefits.⁷³ In the case of a limited-equity housing cooperative, the lure of a transition to a market-rate co-op is analogous to market competition. Cooperators may see this formation as a preferable alternative to the current structure. Furthermore, the loss of a shared vision and understanding of the mission of the cooperative—or loss of faith in the cooperative board—are also related to cooperative dissolutions.⁷⁴

As shown in previous chapters, this loss of shared vision of the cooperative is clear in both St. James and Southbridge Towers and is directly related to the debate over conversion. While the governing structure of the Mitchell-Lama cooperative remains following conversion, the change from limited-equity to market-rate cooperative does remove an additional level of governance: that of city or state supervision. Accordingly, analysis of residents' belief in the value of and faith in the supervisory agencies is another relevant realm of governance to consider when understanding conversion.

Governance in the Time of Conversion

When I went to meet Wally Dimson, the outgoing president of the Southbridge Towers board of directors, I was welcomed into a conference room inside the complex's management office by an

cooperative ceases to exist. However, dissolutions remain relevant, as they may indicate a change in the shared vision of cooperative members or the financial viability of the cooperative, both of which are relevant factors in a limited-equity co-op choosing to remove its limited-equity provisions.

⁷³ Carr, Kariyawasam, and Casil, "A Study of the Organizational Characteristics of Successful Cooperatives," 85.

⁷⁴ Carr, Kariyawasam, and Casil, 85.

employee of the property management company. The corporate nature of the co-op was quickly made evident: a long, glossy wooden table with rounded ends lined with office chairs evoked a board room. A white board and huge flat screen TV hung at the ready for brainstorming sessions and Powerpoint presentations, and a powerful Xerox machine awaited more runs of Dimson's "President's Reports" for distribution to the whole complex. This is the seat of government at Southbridge Towers, and Dimson—an understated, paunchy White man with slightly receding salt and pepper hair—its governor.

Southbridge's current head was quick to draw a distinction between the idyllic stereotypes of a cooperative and the reality in Lower Manhattan, asking me with not a little consternation if I thought the idea was for everyone to love each other and get along. While the community could be described as close-knit, Michael Altman's statement about people knowing one another but not necessarily liking each other came back to mind. There were other divergences between the ideal and the real that Dimson soon covered, and others on both sides of the conversion issue would echo: participation in the governance of the co-op outside of the conversion votes was limited; many cooperators saw their neighbors as only out for themselves, not acting in the interest of the whole cooperative; multiple board members felt their hours of volunteer work on behalf of the cooperative went unrecognized.

Cooperators' perspectives on the governance of their cooperatives is also decidedly mixed, and not strictly along the lines of those pushing for conversion (in line with current board policy) and those trying to keep their co-ops in Mitchell-Lama. Dissatisfaction with how the co-ops are run point to circumstances that might push cooperators away from a more collective approach to housing and toward the somewhat more individualized form of a market-rate cooperative.

Undemocratic Governance

For individuals unhappy with the policies of an institution to complain about being excluded from decision-making in that institution isn't an unusual phenomenon. But in Southbridge Towers and to a lesser extent St. James Towers, even those in favor of a board's push toward conversion frequently view their boards' approach as undemocratic—that is, if they aren't board members.

Jan, who has familial connections to the Southbridge board, claims that “there's always room to participate” in committees created by the board to address security or the upkeep of the grounds. But only pro-conversion shareholders like Jan spoke of participating in these committees; at St. James it wasn't clear if any such committees even existed.

At both cooperatives, shareholders reported open board meetings that failed to live up to their modifier but does neatly fulfill Bachrach and Baratz's articulation of the second face of power: exercising power by controlling what can be discussed or debated.⁷⁵ Roberta Singer addressed this directly:

Shareholders are only permitted to ask questions or discuss anything related to ... agenda motions to be voted on. ... I've tried any number of times to call the office and say, 'Fax me over the motions.' 'Oh, you have to go to the meeting for that.' It does kind of in a sense stifle real participation unless you can physically get there. The few times that I was going on a regular basis, if I wasn't raising an issue—a question specifically related to one of the

⁷⁵ Bachrach and Baratz, “Two Faces of Power.”

motions—I was shut down. Anyone who did that, we were shut down. We were not allowed to propose something for the consideration of the board. The openness was pro forma.

Paul Hovitz echoed Singer: “they are not soliciting interaction and involvement. And, also ... the board meets, votes on stuff, and then comes to an open meeting to discuss the things that already have been decided. What’s the point?”

Bridget Schuy, a pro-conversion shareholder who hoped to join the board at Southbridge, expressed frustration with how the board closed meetings around contracting real estate professionals to sell newly market-rate units. A similar dynamic exists at St. James Towers, according to some shareholders. “You go to the meetings, you can’t say anything. ... What is this, a dictatorship?” said Marlene Steele.

At both complexes, this heavy handedness spilled over into contention over physical space in the developments. Pro-Mitchell-Lama shareholders were blocked from using the Southbridge community room for a meeting exploring the risks of conversion by the board, prompting the state’s Department of Housing and Community Renewal to issue a warning to the board. “We would meet at St Margaret’s House” down the street, explained Victor Papa. “[It] made us pariahs.” The stifling of debate through control of space and, in Papa’s mind, making pro-Mitchell-Lama cooperators outcasts, pushed St. James cooperators across the parking lot to the Ryerson Towers’s community room, where De Blasio would later announce \$250 million in funds for Mitchell-Lamas. “I thought that was really underhanded—abusing the bylaws as a way to manipulate me from not using our own community room,” said Graham, the pro-Mitchell-Lama cooperator who had invited

representatives from citywide advocacy group Cooperators United for Mitchell-Lama to the complex for a presentation.

Of course, in some circumstances, debate over the direction of the co-op was stifled less by the governors themselves and more by the governed. As Dimson put it, “it’s apathy. People come out more when they’re angry or they’re anxious about something.” Tom pointed toward people’s satisfaction with the co-ops affordability and noted that “a lot of people don’t have that kind of time” to be involved. Michael Altman noted that “other than around privatization, most people are not” active in the cooperative. Dimson noted that since Southbridge converted to a market-rate co-op, voter turnout for co-op matters had fallen by about half. And despite St. James cooperators apparent rejection of conversion, Graham notes that “it’s hard to get people to really commit. We have a pretty good number of people who don’t want to go private, but it’s been sort of an uphill struggle to try to get people to serve on the board.” The surest-fire way to stop conversion from being raised again is by controlling the board.

Whether the sometimes-undemocratic nature of board operations breeds apathy or vice versa is unclear; these elements reinforce themselves and may lead cooperators to lose faith in their co-op’s ability to manage itself collectively. The dominance of the board also abets a narrowness of priorities and an easier means to pursue one’s own agenda as a board member that might directly contradict Ostrom’s principles for the durability of common pool resource regimes.

Myopic Governance

Many cooperators I spoke with, regardless of the development or their opinion on conversion, described the conversion debates as all-consuming for internal governance. Dimson recalled a kind

of chilling effect for other issues, in which people subjugated their other concerns with the cooperative in service of making sure the conversion proceeded forward or to try to keep it from doing so. These other issues remained unresolved under the surface. Chris, a pro-Mitchell-Lama Southbridge cooperator, noted that cooperative politics were “heavily skewed towards the policy of privatization.” The slates of candidates run in board elections were largely about conversion rather than a larger picture of cooperative life. At St. James Towers, Marlene Steele noted that the co-op failed to pursue maintenance needs, like major window replacements, in order to avoid additional debt that could lock the co-op into additional years in Mitchell-Lama. Conversion trumped other physical and financial needs of the cooperative. Victor Papa, who prided himself on the broad approach to governance he took as board president years before, noted that conversion was king:

“For some it was their singular purpose, almost to the degree that they fail to recognize that we are also a human community with many other broader concerns.”

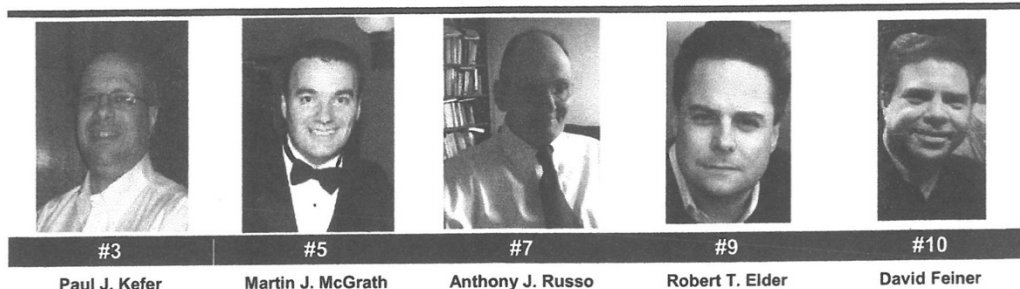
Pro-conversion board members at both developments indicated that pushing for conversion was their primary, if not their singular, purpose for being involved in co-op governance. Dimson, as mentioned previously, was motivated by his dad’s hope of conversion from the cooperative’s first days. Tom mentioned that he hadn’t been involved in the cooperative in any meaningful way until he saw the opportunity to “put a nice asset on my balance sheet,” though he also hoped “to improve the neighborhood and improve the way the co-op was being run.” Lawrence Whiteside wrote



For Southbridge’s Future! **為南橋的前途！**

With the acceptance of the Black Book expected to be any day now, it’s more important than ever that we elect candidates who will make sure that the final vote will happen. Vote for the Southbridge Rights slate of qualified, honest and dedicated candidates who will work for the benefit of Southbridge and *all* our residents:

預計最近幾天內黑皮書將通過，這次選舉比以往任何時候更重要。選出的董事將確保居民們可抉擇是否私有化。投票給合格，誠實，盡力的候選人，我們這個團隊會為南橋和全體居民的利益而努力：



VOTE MAY 5th & 6th 五月五日、六日投票
VOTE FOR CANDIDATES # 3, 5, 7, 9, and 10
Monday, May 5 from 5:00 pm - 9:00 pm | 5/5 下午 5:00 到 9:00 点
Tuesday, May 6 from 7:00 am - 8:00 pm | 5/6 上午 7:00 到 下午 8:00 点
You may also vote by proxy | 你也可填代理票投票

Figure 14: Slate of candidates for the board of Southbridge Towers endorsed by pro-conversion organization Southbridge Rights

feverishly about keeping the faith on his and other cooperators’ original dream of private homeownership.

With conversion as a primary motivation for those governing the cooperative, the move toward a form of governance that elevates conversion above all else undermines the idea of why the cooperative exists. In lieu of a strong focus on maintaining an affordable and quality place to live, conversion, financial benefit, and a more private way of living shifts to the center of the cooperatives' identities. This not only (very intentionally) changes the context of the conversion debates but may undermine cooperators' belief that the co-op and its governance is useful for anything but bringing conversion to fruition. Like undemocratic governance, myopic governance indicates that the board has been captured for the individual benefit of a specific subset of cooperators, leading to fragility in the management of the common pool resource more broadly. It may also give cooperators the sense that conversion is the only means by which to recapture the board for addressing their broader needs; in this context, conversion becomes a mechanism to attain better services through a different form by removing a dominating agenda item from the conversation altogether.

Corrupt Governance

A self-interested approach, in which people engage in cooperative governance primarily for their individual benefit, can also spill over into illegal, corrupt action. While most cooperators at Southbridge and St. James, despite significant gripes, describe their co-ops as well-run—in part a factor of good outside property management in addition to sound financial stewardship⁷⁶—the perception that corruption is present in Mitchell-Lamas is as prevalent. This exists at the level of general cooperators skirting the rules (and doing so with board complicity) and board members

⁷⁶ Both co-ops are arguably some of the best-run in the Mitchell-Lama portfolio. Not needing government financing because of (according to shareholders) good management has abetted the move toward conversion.

taking advantage of their position for personal benefit. Ironically, Jan, of Southbridge, noted that corruption was “a big, big problem. There are always people in it for what they can get for themselves.”

Cooperators from both developments and on both sides referred to the folks using their Mitchell-Lama apartments as *pied-à-terres*; they also noted frequent fudging of who was living in an apartment for the purposes of succession or to get larger units. Like savviness with the tax code for purpose of evasion is considered strategic and sometimes admired in wider society, skirting the rules at the co-op was not just accepted but sometimes valued. Robert Perea told the story of his family moving up eight spots on a waiting list for a larger apartment at Southbridge after they started to ask around how other families with younger kids had somehow jumped to the top of the list.

The implication was that the other families’ priority involved board member meddling. Wally Dimson spoke of past board members getting their relatives apartments. Robert Perea claimed that a past board president had been paid off by a management company to get the big Southbridge contract. Marlene Steele at St. James expressed the possibility of something similar at her co-op: “I know when you have a situation where bidding is taking place, money exchanges hand. ... Everything has a price tag on it.” Corruption seems to be part of the game.

This has been documented; one instance at Southbridge provides a particularly potent example of corruption that bleeds into perceptions of pro-Mitchell-Lama cooperators, bolsters an argument for conversion by sullyng the idea of government supervision.

In 2006, Mark Marcucilli, assistant director of housing management at DHCR, was charged with illegally getting an apartment at Southbridge then using Lower Manhattan Development Corporation money for residents affected by 9/11 for his father, who lived in Yonkers. Jody Wolfson, an assistant housing management representative at DHCR and a member of the Southbridge board of directors, was charged with conspiring with Marcucilli to sell her current apartment and get a larger apartment at the complex through falsifying her current unit's occupants.⁷⁷

Corruption in any form, and the acceptance of it as inherent among cooperators, further commodifies the limited-equity cooperative. Dimson noted that the instance of a board member and state official selling an apartment was useful to the conversion side. Wolfson had been opposed to conversion and worked for the supervising agency; in Dimson's estimate, she was doing exactly what the pro-conversion shareholders wanted to do legally. It was another argument for a view of the housing as a commodity rather than as a home. The scandal provided a two-fold argument for removing another level of governance from the cooperative: the supervising agency was damaging the co-op and it was ineffective in preventing the kind of corruption that it was supposed to guard against.

Each of these primary ways in which cooperators saw the governance of their housing companies points to breakdown in key qualities in long-running common pool resource management. Boards appear to be captured for individual interests of the board members; cooperators often feel locked out of decision-making; shareholders have lost a shared vision of what the cooperative is meant to

⁷⁷ Amateau, "Two Housing Officials Charged in Southbridge Scam."

do. These factors align with the financial lure of a conversion to motivate shareholders to dissolve the limited-equity cooperative and move toward a more individualized form which appears to offer better service. Cooperators' perspectives on government supervision prove to be somewhat distinct, but no less important in the conversion debates.

Supervision, Two Ways

Among the distinctions between Southbridge and St. James Towers, their relationship to higher forms of government is among the most salient. Southbridge Towers, prior to conversion, was supervised by the state Department of Homes and Community Renewal (DHCR). St. James is supervised by the city's Department of Housing Preservation and Development (HPD). This split supervision is a legacy of the Mitchell-Lama program's implementation by the state and municipalities that opted to implement as well. Distinct funding sources for initial development between city and state programs also led to each jurisdiction retaining control over the supervision of the units it had financed. While some regulations on Mitchell-Lamas are broadly similar across the two agencies, others differ. For example, upon conversion, DHCR-supervised co-ops get to take their reserve funds with them; HPD-supervised co-ops have to hand the money back to government (or spend it down). The specifics of succession rules are slightly different, as are some of the voting regulations. But the major differential exists in how each agency treats its supervised entities, a difference that, in the case of Southbridge and St. James, correlates well with rather distinct opinions on the desirability and utility of government oversight. Anecdotally, HPD is considered much more focused on retaining properties in the Mitchell-Lama program than DHCR, and it uses strategies like balloon mortgages (in which a very large payment is due at the end of the mortgage's term) as a structural enticement for co-ops to refinance with new subsidized mortgages tied to new regulatory agreements.

But similarities remain. As outlined earlier, both the city and the state find themselves in a damned-if-you-do, damned-if-you-don't kind of situation: some cooperators think government overreach is rampant, others think the supervising agencies are not doing enough, and this breakdown may well change depending on circumstance.

This debate over what the proper role of the supervising agency should be or whether or not government should have any role in overseeing Mitchell-Lama co-ops has significant implications for residents' approach to conversion. Beyond the removal of resale restrictions and potential profit, the removal of another level of governance from the co-ops' equation is among the largest changes the institutions undergo. As Mitchell-Lama residents, cooperators rarely interact directly with DHCR or HPD unless they want to report something untoward ongoing in the community. In line with the confusion over who actually owns and governs these co-ops, city and state officials report that they often get calls about mundane matters that fall under the board of directors' or property managers' jurisdiction: a leaky pipe, a loud neighbor.

The only consistent interaction takes the form of annual income affidavits, which figure into calculations on whether individuals are within the program's income limits or not. Unlike income-restricted rental housing, Mitchell-Lama cooperators are not forced to move once they exceed the programs targeted income band; instead they must pay up to 50% of their carrying charges as a surcharge to the co-op itself. The information provided amounts to less than what one files in one's required annual tax disclosures, but just as taxes draw the ire of many citizens, so do income affidavits and surcharges. On the whole, however, this is of minor concern: reporting income and

paying a surcharge if you're over-income are considered part of the deal, and even with the surcharge the housing remains very affordable.

Cooperators do, however, find other reasons to gripe about the role of HPD and DHCR.

Unsurprisingly, this is most common among pro-conversion cooperators. Pro-Mitchell-Lama cooperators, especially at Southbridge Towers, also take part in critiquing the government agencies, typically from an angle of DHCR not doing enough. Regardless of the complaint, the perception of the supervising agency providing no real benefit supports a motive to leave the Mitchell-Lama program or, at the least, removes an incentive to stay. Cooperators across both co-ops and sides recognize that government supervision does provide them stability and recourse for mistreatment where other tenants and cooperators across the city may have little. Given that the supervising agencies are rarely praised (even when some of their benefits are recognized), this chapter will focus on the supposed flaws or drawbacks to government supervision and how these play into the conversion debates.

Inept or Detrimental Oversight

Paul Hovitz, Mr. Mitchell-Lama among Southbridge cooperators, wore a black Nike shirt featuring a fierce bald eagle in front of a faded American flag when I visited him at his apartment in January. His image of seriousness and patriotism was further bolstered by sleek silver hair and the bright red walls of his apartment. But just as he parsed no words with his 105-year-old (in human years) shih tzu Gucci—"stop being such a pain in the ass, Gucci"—Hovitz let loose on the state's Department

of Homes and Community Renewal. “DHCR was a joke. ... The only time we really heard about it was when the shit hit the fan, pardon my French, or when they found corruption on the board.”

Whether you speak with pro-Mitchell-Lama cooperators like Hovitz or pro-conversion shareholders at Southbridge Towers, people rarely have kind words to say about DHCR. While some cooperators carried a general antipathy for government regulation—distributing flyers with language like “Privatization liberates SBT and its residents from the control of bureaucrats”—the majority of the opposition was around the performance of the state’s supervising agency rather than its nature. Pro-Mitchell-Lama shareholders often saw DHCR as inept; pro-conversion shareholders saw it as detrimental to the operation of the co-op.

Roberta Singer shared the same view of DHCR that Hovitz did, calling the agency’s approach to Southbridge “benign neglect. ... I think the person we worked with at DHCR was probably waiting for his moment to retire three weeks after he got the job.” Victor Papa noted this ambivalence in the context of the conversion debate: “the state was not actively against privatization by omission.”

Tom, a pro-conversion shareholder, recalled a similar absence of supervision, but further articulates the role that many on his side of the conversion debate said DHCR had in inhibiting the proper functioning of the co-op:

I understand that the concept of it was for the HCR to more or less monitor what’s going on here and make sure things don’t go wrong, make sure expenses are being done properly, make sure there’s a proper budget. The problem is they did none of that. They’re supposed to have a representative attend every board meeting. They never did. ... But the thing is, it

was extremely difficult getting things done through them and their creed as to monitor us, they really didn't do a very good job of that.

Among the roles of the Mitchell-Lama supervising agencies is to oversee bidding on major contracts for the cooperatives, such as replacing the boilers or redoing the plaza. Shareholders frequently complained that a policy of forcing the co-ops to select the lowest bidder often led to shoddy work and more headaches. For some, the much clearer story of the state's detrimental supervision is the case of corruption mentioned earlier. Robert Perea was quick to turn this instance of malfeasance as a stand-in for government supervision as a whole: "there's a lot of corruption when you're being run by the state or the city." Faith in DHCR's ability to properly supervise and actively contribute to the successful management of Southbridge Towers was so low among cooperators I spoke with that Wally Dimson's frank summation could stand in for many others'; he said the agency brought no value to the table.

By underserving as a proper form of governance in the cooperative equation, including by rarely occupying its seat on the co-op's board, DHCR led cooperators of all stripes to feel little practical loss in removing the agency from their lives. While the idea that "as long as this remained a Mitchell-Lama, there would be, as pitiful as it was, some kind of oversight" stayed attractive in theory to cooperators like Roberta Singer, at Southbridge Towers this level of governance came to be more associated with delays and dishonesty than with proper stewardship. With low quality service, instances of the governing body serving itself rather than the governed, and little real input of cooperators in the operation of the supervising agency—all indicative of fragility in common pool resource governance under Ostrom's framework—the way for Southbridge residents to exercise

control over this level of governance was to terminate it through conversion.

Paternalistic or Coercive Oversight

Cooperators at Southbridge had a different opinion of the city's supervising agency (HPD). While HPD did not serve their complex, its offices are conveniently located directly next to Southbridge in Lower Manhattan. Dimson and Singer viewed the Department of Housing Preservation and Development's supervision as much more stringent than the state Department of Homes and Community Renewal's and with a stronger emphasis of keeping Mitchell-Lamas in the program. This latter point isn't surprising; city government has a much larger emphasis on providing affordable housing than the state and thus a greater incentive to preserve the affordability of Mitchell-Lamas. For pro-conversion shareholders, having DHCR as your supervising agency is another lucky break on the path toward winning the lottery.

The perspective among St. James cooperators, as direct recipients of the governance of HPD, was decidedly more split along conversion debate lines than at Southbridge. Most pro-Mitchell-Lama shareholders I spoke with noted some dissatisfaction with the agency not doing enough to intervene in the push for conversion, as well as satisfaction with the financial stability HPD's presence might provide in times of co-op crisis. Their neighbors on the pro-conversion side felt the heavier hand

that Southbridge shareholders alluded to, and their push toward conversion was heavily influenced by a desire to throw off the yoke of this additional level of government.

**Do We Really Want to Give Our Homes To HPD For Public Housing?
We Should Be Very Alarmed By This Latist Atempt To Steal 21 St. James Pl.**

After attending the Public Rally sponsored by Ms. T. James, the NYC Public Advocate and other Brooklyn, local elected officials, I have a full understanding of the purpose of the strong opposition, by these politicians, to the final transition of 21 St. James Place, to the promised privatization. It is because they want to retain City access to our apartments as moderate income "Public housing", to meet the present temporary needs of the City.

When I asked Ms. James what authority the City had to involve itself in advocating for a vote to remain in M/L she said her tax money had been used to build it. Ms. James did not admit that in paying off the mortgage, we had repaid all of the State loan plus interest.

We must not heed this attempt by City politicians to place the responsibility, that the City has to provide for housing the homeless, on us. The promise, of the M/L law and the "Developer", was that when the Mortgage was paid off we could own our apartments.

We must not lose our right to benefits that we have accrued for ourselves and our families over the past 53 years of diligent management. As a fully private Coop apartment owner, you have additional financial equity for any emergency. You don't have to move to use this added personal wealth. It can be used to borrow from banks, etc.

My decision to move here, was to invest in future "Home Ownership". as advertised by both the developer and NYS M/L law. Over the years, we have paid both "rent" and "maintenance" as required for a Coop. The property was expected to amortize over the years and increase in value, the same as with any Coop

If we , who are here now, don't take this option to realize the added value of our homes, by "Privatization", after 53 years of sound management, the future shareholders who come after we are gone, surly will receive the fruits of our labor.

As a M/L Coop, if or when we move out, we can't even get our original 53 year investment back. I have a 2 Bedroom apartment, currently worth less than \$50,000., from which I must pay \$15,000 to \$20,000 for the full refurbishment of my apartment for the next "Shareholder".

"WE HAVE NOTHING TO FEAR BUT FEAR ITSELF "
(President Franklin D. Roosevelt, 12/07/41)

Submitted by Lawrence Whiteside, Original Board Member Apt. 21K

Figure 15: Flyer by St. James cooperator Lawrence Whiteside criticizing the city's Department of Housing Preservation and Development

Among these cooperators, government's continued involvement in monitoring and occasional decision-making in the cooperative amounted to full government control. While ownership was

constructed by their ability to make profit, at St. James being free of the “tentacles” or “clutches” of HPD had as much to do with pro-conversion shareholders’ feelings of ownership over the complex. Lawrence Whiteside spoke of HPD’s attempts to “steal” the co-op: “21 St. James Place is not ‘Public Housing’ to be confiscated by HPD for its use based on current or future ‘Housing Needs’ in NYC.” He considers self-governance unattainable as long as government remains part of the administration of the cooperative, even if the co-op retains significant control over its destiny.

The slavery-infused rhetoric around HPD’s supervision at St. James Towers among some cooperators is especially notable. Whiteside calls HPD an overseer; pro-Mitchell-Lama cooperator Wenna said other cooperators called it the same. Simon, a pro-conversion ally of Whiteside’s, called remaining in Mitchell-Lama “indentured servancy.” Speaking of public officials’ involvement in promoting a pro-Mitchell-Lama agenda and HPD’s attempts to keep St. James in the program, Simon claimed that “St. James was the epitome of homeownership, and then the city steals it back from them. It re-enslaves them.” He spoke of manipulation and of people acting like zombies. In their estimation, the city bureaucracy is a paternalistic, coercive body—only conversion can make the cooperators true homeowners (with all the important trappings that status carries) with true self-governance. This is not an argument for better governance through “pure” self-governance as with Southbridge pro-conversion shareholders; St. James cooperators of a similar persuasion see government involvement in their housing as inherently antithetical to the idea of ownership and self-determination. This may in part stem from the fact that they have little to no control over how HPD relates to them; in Ostrom’s terms, these individuals are affected by the rules of the governing entity of the common pool resource of their cooperative, but unlike matters before the board of directors, they cannot participate in modifying those rules. The only means to do so is to lobby HPD or to attempt to vote a mayor into office that would change the agency’s approach to Mitchell-Lama

governance; these are unlikely to be effective, and thus conversion becomes the only way to rest full control of governance of the common pool resource back to cooperators, though this may ultimately destroy the resource itself.

The Desirability of Financial Incentives

Throughout my conversations with cooperators at Southbridge and St. James, perhaps the most surprising omission from conversation was a key resource the supervising agencies currently provide; subsidized financing to the cooperatives in exchange for committing to additional (often 15-year) terms in the Mitchell-Lama program. Cooperators across developments and sides rarely mentioned the financing; it was neither a part of their personal considerations for staying in Mitchell-Lama or voting to convert. Pro-conversion shareholders frequently spoke of going to whatever lengths necessary to avoid the use of these funds in order to avoid forestalling their goal. A city official expressed no hope in getting a board dead set on conversion to consider accepting the financing, even if it were better for the co-op financially. Robert Perea and Simon both claimed that the city and state offered financing higher than what they could get on the private market. This perspective, whether true or not, led Simon to claim that HPD was funding itself through the difference between market interest rates and this supposedly higher, government-provided rate.

Simon also saw the offer of financing as just a mechanism to take what the cooperators owned away from them. With disgust, he says that all the city has to offer St. James is debt:

“It’s okay to buy something when you buy something to pay interest on money, but when you already own something you are pawning it then. You are giving it to someone. You’re not buying it anymore. You paid for it. Now all you have to do is afford it. The best way to afford it is to

reconstitute. It's like a raisin. A raisin can get just so dry, and it cracks up. You reconstitute it by adding water; it becomes a grape again.”

The lack of concern with or active disinterest in these financing incentives—the primary way that city and state government seek to maintain Mitchell-Lamas as affordable housing—is startling. It calls for new approaches and incentives to address the many reasons, conceptions of ownership and challenges with governance among them, that drive Mitchell-Lama cooperators’ pursuit of conversion.

Just as pro-Mitchell-Lama shareholders’ argument for remaining in the program on financial terms may further commodify the idea of housing and thus ultimately bolster an argument for conversion, this primarily financial incentive from the supervising agencies might reinforce the view of the cooperative as a financial entity. Policies such as this, which might be said to appeal to the financial self-interest of the cooperative body or the cooperators themselves, can have the unintended effect of overshadowing ethical motives—those normative considerations mentioned in Chapter 5.⁷⁸ The incentive or policy shapes the values of the cooperative; with continued use, it may entirely crowd out the ethical considerations embedded in the cooperative structure to begin with, necessitating ever more extreme financial interventions to preserve the public good of more widely affordable housing. These intrinsic motivations (such as other-regarding motives) are far less costly than external motivations (the offering of financing), calling into question the long-term advisability of only addressing the preservation of Mitchell-Lama housing through financial tools.⁷⁹

⁷⁸ Bowles, *The Moral Economy*.

⁷⁹ Tyler, “The Psychology of Cooperation.”

The cases of Southbridge and St. James Towers indicate that ideas of ownership among cooperators and their relationships to different levels of government are influential factors in why cooperators may push for a conversion. When internal co-op governance or the external governance underperforms, the dissolution of the Mitchell-Lama cooperative and creation of a new, market-rate entity—and one that may promise better “service” by removing the overriding concern with conversion—becomes attractive. At Southbridge, this occurred; at St. James, some of the underlying fragility in the governance of the co-op that may lead to a change in how this common-pool resource is managed remains. At each case development, the perspective that cooperative homeownership is not “true” homeownership further breeds instability in cooperators’ ultimate desires for the form that their housing will take. For preservation to be effective, cooperators must begin to see themselves as full owners; their responsibility to govern themselves must also be bolstered in practice and in perception.

Before moving toward strategies to preserve Mitchell-Lama co-ops as affordable housing in Chapter 8, another set of crucial variables in the conversion debates of these two Mitchell-Lamas must be addressed: race and class. Speaking about the supervision of the city’s Department of Housing Preservation and Development, Lawrence Whiteside characterized predominantly Black St. James as public housing. This reference has more to do with ownership and control than the stigma that’s usually attached, in the American context, with government-owned rental housing (in New York, owned and operated by the New York City Housing Authority or NYCHA). However, the evocation of public housing in the conversion debates at Southbridge Towers carries a significantly different meaning—one related to poverty and undesirable neighbors laced with significant racial

overtones. Public housing cannot be divorced from race in the United States; the specter of the “projects” at Southbridge Towers provides an opportunity to delve into the racial and class politics of conversion, beginning first a few bridges east of Southbridge on Manhattan’s Lower East Side.

Chapter 7: Race, Class, and Conversion

What the Brooklyn Bridge's stone arches are to Southbridge, the gray-blue towers of the Williamsburg Bridge, accented by the pink of its walkways, are to Masaryk—a Mitchell-Lama co-op of approximately 1,100 units on the Lower East Side. Between Southbridge and Masaryk Towers along the East River waterfront stretches a wide swath of high-rise, tower-in-the-park housing developments, cousins to Southbridge like St. James has next-door siblings.



Figure 16: Southbridge Towers (bottom right) abuts the Brooklyn Bridge; on the other side the Alfred E. Smith Houses of the New York City Housing Authority fade into other large-scale housing developments stretching up the East River. | Photo by Scott Beale

There's the New York City Housing Authority's Alfred E. Smith Houses, then the Rutgers Houses, La Guardia Houses, and Vladeck Houses (all NYCHA public housing), followed by the East River Housing Corporation (one of the first developments of the United Housing Foundation, originally

sponsored by the International Ladies' Garment Workers' Union). Then a sandwich, running from the FDR Drive inland, of NYCHA's Baruch Houses, the Mitchell-Lama Masaryk Towers, and NYCHA's Gompers Houses. The Wald and Riis Houses, two more public housing developments, sit directly up river. And just northwest, Stuyvesant Town marks the end of the East Village before giving away to Peter Cooper Village slightly farther uptown.

Developments like these often take the form of super blocks: the warren of streets defining the blocks that make the Manhattan grid famous are clumped together. Streets were de-mapped to make way for large-scale developments with courtyards and pathways between buildings. Such is the case in the Masaryk sandwich: where Rivington Street once coursed from water's edge to the Bowery, it's merely a wide footpath inside the Masaryk superblock. Until recently, the footpath was a concourse for the public. But after over a decade of discussion, the gates shut in May 2017. Only Masaryk residents armed with a key fob can now avail themselves of this former causeway.

The board of directors of Masaryk Towers issued a letter explaining their decision to shut the doors to the outside, primarily affecting the residents of the two public housing developments at their sides: "For many years, Masaryk has had serious problems with criminal activities, including the proliferation of illicit drug usage and distribution, alcohol, and vandalism, largely attributable to non-residents."⁸⁰ The board connects a spike in such issues at Masaryk with the removal of benches from Gompers and Baruch Houses, intimating that those to blame are public housing residents migrating to the public spaces of their co-op. According to the board, the shuttered gates have improved the quality of life of Masaryk residents significantly. One resident, commenting on an op-ed in *The*

⁸⁰ Hobbs, "Masaryk Towers Path to Grand St. Settlement Will Remain Closed, Letter Says."

Villager, expressed the same, complaining that prior to the closure “our stairs were being used to smoke weed or just to hang out, even though our security staff tried their best to keep them out.”⁸¹

But not all residents are so pleased: in the *New York Times*, Masaryk resident Lilah Mejia, sounded concern with the thinly veiled classism and possible racism inherent in Masaryk’s moves, asking “who are we to say that all the scruff comes from the projects?”⁸²

The Masaryk allegory demonstrates the unique politics of living in middle-income government-subsidized housing, where a stigma of living in affordable housing remains for some residents who seek to distance themselves, physically and administratively, from a less privileged other. This dynamic is, of course, not universal across such housing. Cooperators United for Mitchell-Lama president Adele Niederman noted that the co-op she lives in, St. Martin’s on the Upper West Side, was formed by a Harlem church as an intentional, racially integrated community. In the cases of Southbridge and St. James Towers, this dynamic exclusively appeared in interviews with White Southbridge residents. As noted in the last chapter, however, Black St. James residents exposed notable and unique racial and class dynamics in their approach to the conversion debates, contributing to distinct ways of constructing entitlement, making decisions based on altruism and empathy, and arguing against governmental supervision.

In this chapter, I’ll unpack some of these dynamics to demonstrate how race and class are mobilized in distinct ways to promote and torpedo conversion, in some cases echoing long-standing racial and class politics in the United States at the scale of the private co-op government.

⁸¹ Landesman, “Masaryk Gates Are a Disgrace.”

⁸² Bellafante, “Gates Make Bad Neighbors.”

On Protections and Reparations

When I sat across from Wenna at the diner near St. James Towers, she brought up a nickname for the residents of St. James, Ryerson, and Pratt Towers: “you’ve lived there a long time, and that’s why you’re known as *the leftovers*. These three buildings are buildings that are predominantly minorities.”

Amid the gentrification of Brooklyn, the three co-ops along Lafayette Avenue had remained an affordable island for the Black middle class. Not only did this come with a certain feeling of responsibility among the likes of Wenna and Marlene Steele to maintain the co-ops as limited-equity—a bulwark against a total sea change of Clinton Hill—it further bolstered a prevalent argument among pro-Mitchell-Lama shareholders at St. James and Southbridge: that the risks of conversion were too great to warrant the pursuit of profit it might entail.

For these two Black women, as Wenna put it, “there’s no place for you to go. ... So long as that man sits in the White House, where you going? It’s called good luck.” Wenna’s reference to Donald Trump is a clear reference to the president’s racist remarks and policies. She draws the connection between that racism and its virulent forms among the larger American populace and the real estate environment into which she’d be thrust if she were to sell her apartment or could no longer afford to live at St. James following a conversion. She states directly: “Blacks can’t get mortgages. ...[conversion] is a way of removing minorities.” Steele puts it slightly differently, speaking of the “leftovers”: “these are the last three buildings where low- and middle-income and people of color will be able to live in this area in this neighborhood. ... People stand to make a lot of money, and I said, ‘It’s not us. We will not be the ones to make the money.’”

Staying in Mitchell-Lama is, to them, not just a means of maintaining a middle-class Black community in a neighborhood once famous for it; it's also a protection against a discriminatory real estate environment in a time when racism reigns in federal policy. Wenna's family had already escaped a racially exclusionary market by buying at St. James after being blocked from purchasing a lot in the Bronx in the 1960s; she wasn't keen to go through a similar experience in the 2010s. Steele's comment further reflects a concern that even if there is money to be made from Mitchell-Lama, it will accrue not to the current Black, middle-income residents of St. James, but to others, in a repetition of how Black Americans have long been exploited in the housing market. Conversion, in this formulation, leads to exploitation, whereas Mitchell-Lama maintains stability and safe harbor from exploitative forces—a perspective very much in line with the market-correcting aim to ensure decent affordable housing for middle- and lower-income individuals of the Mitchell-Lama program.

Steele's and Wenna's concerns with discrimination and exploitation are borne out by national data on homeownership and mortgage lending. The homeownership gap between Black and White households remains vast, with 41.3% of Black households owning homes versus 71.9% of White households; it has only widened in the 2000s.⁸³ Black households face a significantly harder time getting a mortgage than their White counterparts, in part because of lending discrimination.⁸⁴ Whether barriers to accessing financing has worsened under the Trump presidency is unclear, but—if so—researchers may have a much harder time knowing: the Trump administration announced in 2017 that it will not enforce 2015 updates to the Home Mortgage Disclosure Act, which requires the

⁸³ DeSilver and Bialik, "Blacks and Hispanics Face Extra Challenges in Getting Home Loans."

⁸⁴ Bayer et al., *Race, Ethnicity and High-Cost Mortgage Lending*.

reporting that underlies most analysis of lending discrimination, and may attempt to roll back the regulations altogether.⁸⁵

While Wenna and Marlene look to past discrimination as an indication of future exploitation, their Black neighbors Simon and Lawrence Whiteside see conversion as a possible step toward finally realizing the wealth gains through real estate that Black Americans are often locked out of — the same kind of gains that made the White middle class. Rather than be stuck in “public housing,” as Whiteside considers Mitchell-Lama, there was an opportunity to become a private homeowner and gain personal wealth. Whiteside’s reference to homeownership “as the first step in acquiring status as a First Class Citizen in America” evokes a past when only property-owning men could vote and men like Whiteside were considered others’ property. This, viewed alongside the branding of employees of the city’s supervising agency as “overseers” and limited-equity ownership as “indentured servancy,” demonstrates the significance that being able to profit from homeownership holds for some Black shareholders as distinct from their White counterparts. Conversion is seen as a pathway to Black liberation.

Whiteside’s perspective is in many ways an evolution of Steele and Wenna’s. To Whiteside, this was his one chance to fulfill a criterion of citizenship; they already had ownership of this asset but had not yet been able to profit from it. The city’s Department of Housing Preservation and Development and allied public officials was, in his estimation, abridging his rights to citizenship by thwarting pro-conversion cooperators from realizing an idea of ownership predicated on profit. They were, in short, adding to a long history of procedural disenfranchisement, from poll taxes to voter ID laws. This perspective rests on the same ideology of homeownership that dates back to

⁸⁵ Ramírez, “HMDA Enforcement Defanged by Trump-Led Regulators.”

Herbert Hoover and which is discussed in Chapter 6: good citizens and people of value are homeowners, and homeowners are not cooperators.⁸⁶ Wenna and Steele did not see the housing market and government oversight as two sides of the same discriminatory coin in part because they did not conceive of non-cooperative ownership as constitutive of citizenship in the same way.

While Whiteside articulated this citizenship-based racially motivated argument, Roberta Singer mentioned a slightly different one advanced by a small number of Black shareholders at Southbridge Towers—one that even as one of the stauncher Mitchell-Lama supporters she empathized with:

One of the arguments that was raised by one of the African-American shareholders was our community, our people, have not gotten the wealth, and this will give us wealth. I can't argue with that. I still say you should get your wealth some way that you earned it. However, it's not even a debate that the reason why there is a wealth gap goes back to slavery. There's not even a debate except among the most rabid White nationalists. ... That one I could understand, I could understand it in my head, I could understand it intellectually, I could understand it emotionally.

This reparations argument, for profit in order to right the vast wrongs to Black Americans perpetuated over generations that has built not only a homeownership divide but a gaping wealth gap, is to Singer a valid entitlement to profit based on a personal and familial purpose. In Steele's estimation, this is a trap for St. James and Southbridge. In a sense, she is correct that Black individuals would not be the ones to profit from conversion, or at least not at the scale that White or

⁸⁶ Vale, "The Ideological Origins of Affordable Homeownership Efforts."

Asian populations would collectively: given the demographic breakdown at Southbridge and more White and Asian cooperators, far more potential wealth accrued to White cooperators than Black ones upon conversion. Furthermore, this wealth, in pro-Mitchell-Lama St. James cooperators' worldview, would accrue to a limited number of Black families while systematically excluding others; they would create exclusionary wealth like that gleaned in the Federal Housing Administration-financed White suburbs while closing the door behind them to future beneficiaries.

While the US's discriminatory real estate environment either served as a disincentive to leaving Mitchell-Lama or a justification for building wealth among Black shareholders at St. James, multiple pro-conversion Southbridge cooperators took a very different tack to race and class. They looked to weave elements of a wider discriminatory environment into the fabric of the co-op itself.

On Stigmatization and Exclusion

Lawrence Whiteside referred to public housing in terms of control; to him, government supervision amounted to government ownership. Jan, a White pro-conversion shareholder at Southbridge, evoked public housing in a very different way. With conversion, Pat believed “we’re going up instead of spreading the projects. There’s a project on the north side of the Brooklyn Bridge, the Smith Houses, and so we had two choices. And we were teetering. It just would’ve been a shame. That was the feeling—it just would’ve been a shame to watch it just go downhill.”

To Jan, becoming like public housing was akin to regression; it was a fall. She remembered a specific instance when a parent of one of her (now adult) kids' friends described Southbridge as “an economically undesirable location,” a characterization she took issue with coming from someone else, even as she called the development a “nice-looking project.” Bridget Schuy noted that many

shareholders called Southbridge “one step up from the projects.” In Jan’s opinion, there were only two choices for the future of Southbridge: convert or fall further, into public housing. Jan and Schuy identified the same suspect in the cause of this supposed decline: people.

Jan had plenty to say about the kind of people that were bringing the co-op down:

We started to go very downhill because the government’s definition of what constitutes middle-income wasn’t valid anymore. It became low-income, and that was a real problem. People were not dressed nicely anymore. People were walking around in pajamas. People were embarrassed to bring people there. The upkeep wasn’t quite as good, just because people weren’t that interested. There was just a different feel from when we had first moved in from the people to where it became. It was going to mid-, lower-income, and that was a real problem, at which point it was getting very much an us-and-them kind of thing, and that was not good for the co-op.

Wally Dimson, Robert Perea, and Bridget Schuy (all pro-conversion shareholders at Southbridge Towers) pointed toward the Mitchell-Lama income limits as the culprit for letting poorer residents in. A city official did note that waiting lists for Mitchell-Lamas tended to include lower income individuals than existing shareholders, but as Jan’s retelling indicates, her evidence was more behavioral stereotypes than hard data. She complained of Chinese immigrants speaking Chinese in the elevators—“they’re not making eye contact, no ‘good morning,’ and you ‘good afternoon’ as your pass each other in the building.” Robert Perea made the same presumption: “There was a woman in my parent’s building who moved in, and just knowing nothing else, just from her job and

the family structure, she was low-income, but she was in a middle-income housing unit, because that's how it was.”

Bridget Schuy's recounting of a problematic tenant in her building is also instructive:

I'm not trying to discriminate here but, I mean, it's a socioeconomic thing. I mean there are more people with more problems in Southbridge. It was more diverse. ... There was one person who had an apartment there, and this guy brought unsavory people in, he actually was evicted. ... Scary thugs. Matter of fact, when he left, ... I was offered his apartment. It was a bigger apartment. I was on a waiting list for one. I was like, “Oh God, I could never take that apartment,” because people would be coming out of jail and ringing that doorbell at two o'clock in the morning. I'm not going to be like, “Oh, you know, Dave hasn't lived here in five years. Sorry you're doing 10 to 5 or whatever.”

The references to the projects, to a more diverse population, to the criminal justice system, to “thugs” and discrimination, all carry strong racial overtones. Roberta Singer put these kinds of comments in context of the wider racial politics of the development:

I will have no problem saying that we have a ... Okay, this is not a stereotype; this is based on experience. There's a large number of Italians from Mott and Mulberry Street who are racist. Even the few who were pro-Mitchell-Lama were still talking about “chinks” and “spics.” They never used the “N” word but “chinks” and “spics.” We do have a lot of Chinese and a growing Chinese population. Just on this floor, half of the apartments are

Chinese-owned. Racism is sometimes quite overt here and other times subtle, the way White people can be subtle about racism. It goes beyond the “some of my best friends are”

Jan, while overt more often than not, was subtle in a statement that amounts to promotion of segregation. In noting her support for subsidized housing for low-income individuals, she stated “Yes. That’s a good thing, too, but you just have to say what’s what”—the government has to say which is low-income housing and which is middle-income housing, and the two shall not mix.

This segregationist desire was present in nostalgic comments for the co-op as it used to be as well. The original make-up of Southbridge Towers was almost entirely White, its bedrooms filled with Italian, Irish, and Jewish “pioneers” coming from elsewhere in Lower Manhattan. The language of pioneering in the context of gentrification—a term which easily fits the arrival of middle-income Southbridge residents in the Brooklyn Bridge Urban Renewal Area—is itself highly racialized, in that it erases those residents (usually lower-income or racially other) that already live in an area.⁸⁷ But more striking and more relevant among Southbridge cooperators is a nostalgia for a racially homogeneous past. Jan said “that we wanted it to be like what we remembered it being, more like the co-op our parents had moved into.” Dimson noted that conversion got pushed along when people saw the resident population changing. The impetus to get the right kind of people into the co-op is now being realized.

Jan reflects: “we’re definitely on an upswing since we went private. . . . My husband was on the interviewing committee, and he’d come up being really excited about all the different types of people

⁸⁷ Osman, *The Invention of Brownstone Brooklyn*.

that were coming in. ... A fellow who's a restaurateur, a fellow who wrote a play. ... I think that the one downside of new people coming in is that a lot of Chinese people are moving in." Schuy also noted the benefit she found in the co-op now screening tenants: "we're not going to be subject to that element anymore; people have to pass the co-op board." Whereas the supervising agency did the screening under Mitchell-Lama, checking only that individuals met the requirements of the program, prospective tenants to a converted Mitchell-Lama must also convince the co-op board of their subjective desirability as neighbors. Jan further made the connection between existing neighbors and property values: "there's still that neighborhood element that can bring down property value. I mean I'm lucky I'm on a good floor."

This desire to convert in order to stop the entrance of lower income or non-White prospective cooperators was nowhere to be seen at predominately Black St. James Towers; there wasn't even a negative opinion of public housing residents at Lafayette Gardens just next door. From this research, the urge to exclude appears to be solely a phenomenon at predominately White Southbridge. Conversion there appears spurred on by some individuals' discomfort with the declining ethnic whiteness of the complex and the addition of cooperators who they assumed were lower-income individuals than themselves.

The commodification of the housing through the conversion debates may play a role in some White Southbridge cooperators' discriminatory impulses toward people of color. While Southbridge was in the Mitchell-Lama program, it appears that these shareholders disliked a more diverse population for making the complex appear lower-income or more like public housing than it had previously; they desired exclusion in order to avoid stigmatization.

But with the prospect of the free market sale of their apartments on the horizon, the equation changed subtly. These cooperators then saw the addition of lower-income and racially distinct residents to Southbridge as a threat to their future property values, much like White suburban homeowners often exclude racial others and low-income individuals from their neighborhoods and school systems to supposedly preserve the property values that they claim they earned.⁸⁸ Conversion provides both a new reason and a new a mechanism for exclusion: screening of new residents based on practically whatever criteria the co-op decides is salient, as long as it is not explicitly discriminatory.

Seen in the context of current and historical dynamics between White low- and middle- class individuals in the US and Black and Brown individuals of their same economic status, this dynamic is striking. It calls to mind the division between White- and Black- working class individuals through the doctrine of White supremacy stoked by elites following Reconstruction to prevent working class solidarity and power, chronicled by W.E.B. Du Bois in *Black Reconstruction*. Now, as then, the White middle-class individual at Southbridge could be said to be under the sway of a Marxian false consciousness: unaware of their true status on the economic hierarchy in part through othering those they see as below them.

Roberta Singer hints at the connection between the ways of approaching difference among pro-conversion shareholders and the broader state of politics in the US today: she referenced a news article⁸⁹ that identified Southbridge Towers as one of the largest pockets of voters in Manhattan who went for Donald Trump in 2016. Pro-Mitchell-Lama Chris referred to the same. Each of them sees

⁸⁸ Freund, "Marketing the Free Market."

⁸⁹ Plagianos, "Ex-Affordable Housing Complex Has One of Manhattan's Highest Trump Votes."

the racially charged politics among some pro-conversion shareholders (albeit, certainly not all) leading up to the Southbridge vote in 2014 as a harbinger of the election of Donald Trump two years later.

Whether it's through Southbridge residents pushing for conversion in part to exclude certain kinds of people from their co-op or St. James residents seeking to preserve Mitchell-Lama for fear of tangling with a discriminatory housing market, these Mitchell-Lama co-ops exhibit the infusion of racial and class politics into conversion debates. These politics touch all other salient factors in the decision of cooperators on the matter of conversion, from constructing entitlement to profit, to empathizing with potential future beneficiaries, to understanding ownership in specific ways or promoting a particular form of governance.

These underlying ingredients in the Mitchell-Lama conversion debates at Southbridge and St. James Towers indicate that racial and class politics must be considered when designing more effective policies for preserving Mitchell-Lama co-ops and in structuring future limited-equity co-ops with the goal of long-term affordable—and accessible and fair—homeownership.

Chapter 8: Lessons for Maintaining Mitchell-Lama & the Future of American Limited-Equity Co-Ops

In all the descriptions of Southbridge and St. James that pro-conversion and pro-Mitchell-Lama residents painted for me in the course of this research, aesthetics rarely came up. As an outsider walking New York's boroughs, you would be hard pressed to distinguish a Mitchell-Lama without the eye of a housing scholar, attentive to the particular style of brick and balconies that seem to predominate in the portfolio. Mitchell-Lamas are those buildings that are ubiquitous, the backdrops, the bases of the apparently generic streetscape that make up the city's DNA, until a notable event occurs there — a kiss, a protest — or a bit more information gives it singularity. The building is invisible until it comes to embody something more — think politics, memory, geography, or identity.

As a provisional New Yorker, Southbridge and St. James Towers' place in the larger city began to stand out to me when their walls faded away. This research cut a cross-section, the façade removed, exposing the collective dynamics within. The buildings themselves began to appear as individual. Across Fort Greene, Bed-Stuy, and Clinton Hill, St. James Towers' loomed, whether walking at street-level or looking out across the borough from the Prison Ships Martyrs' Monument in Fort Greene Park. The white exhaust bellowing from rooftop utilities gave it an air of a papal conclave just resolved. In Lower Manhattan, amid glass upon glass structure shouting newness, transparency, and wealth, the solid introversion of the aged Southbridge complex appeared a relic of not-so-old New York. I'd look out from a friend's apartment and find St. James looking back. I'd look out the office window of a city official and find Southbridge lurking below.

Mitchell-Lama cooperatives generally play a background role across the city as inconspicuous repositories of vital affordable units and the dynamic communities and people that make lives there. For them, these combinations of brick and mortar are much more than window dressing; for the public, they are infrastructure. 60,650 cooperative units remain in the Mitchell-Lama portfolio; approximately 2,350 of those units exist in developments in the midst of a conversion debate.

Regardless of the reasons behind a conversion, the fact remains that the removal of a Mitchell-Lama from its program means a reduction in affordable housing in a city starved of it. Since New York City under Mayor Bill de Blasio proposed the most aggressive affordable housing plan in the city's recent history, the largest number of affordable units to be planned in one project is 992 — La Central in the Bronx.⁹⁰ Alongside this development, which is almost always accompanied with the modifier “massive,” the scale of the loss of Southbridge Towers to the wilds of market-rate apartments comes into view. Roberta Singer hoped to call this to the attention of the mayor, while recognizing that Southbridge was under the state's supervision: “I wanted to just go right up to Bill de Blasio and say, ‘Do you realize that three blocks away from your office there are 1649 apartments that are going to go private?’” Southbridge Towers had 657 more affordable apartments than La Central will support when complete.

At \$600 million, the new Bronx behemoth is also rather expensive to build, a good reminder that the cheapest affordable housing is the kind that already exists. Pro-conversion shareholders commonly

⁹⁰ Of course, there are many legitimate reasons why very large complexes of affordable housing would not be constructed, including lack of available land and a desire to create more mixed-income residential housing (though most Mitchell-Lama developments would fit the bill as mixed-income housing). However, this divergence is still instructive and actually brings the city's challenges with affordable housing closer into view: the lack of available land to build large complexes (La Central is being built on the biggest remaining parcel of city-owned land in the South Bronx) is a real constraint.

argue that the increased property taxes that Southbridge now pays can be used to build more developments like it. However, the average city subsidy required to produce a unit of affordable housing in New York in 2017 was \$46,000; it would take at least a decade of property taxes paid at Southbridge's current rates to fund the replacement of all 1,649 apartments, and likely much more given the upward trend in how much affordable units cost to develop in the city (in 2014, the average per unit subsidy was \$29,000).⁹¹ The loss is irreparable; as Michael Altman put it in his assessment of the pro-conversion vs. the pro-Mitchell-Lama shareholders, "I thought their legacy is that they destroyed 1,649 apartments for moderate-income people. Our legacy is that we tried to stop that from happening."⁹²

In pursuit of a city in which individuals of all means and backgrounds can access quality, affordable shelter, Mitchell-Lama cooperatives should be maintained as affordable housing units and as thriving, accessible communities. Cooperators, supervising agencies, public officials, and advocates are trying to stop what happened at Southbridge from happening again. The results of this research point to important considerations in doing so, in some cases contrary to current practice or broader than traditional approaches.

In this chapter, I will review the key findings of this research, summarizing dynamics in the conversion debates at Southbridge and St. James that should be addressed across Mitchell-Lama co-ops, outlining recommendations of how to address those dynamics where possible, drawing conclusions for the effective structuring of new limited-equity cooperatives in the American context, and proposing future research to provide further insight into factors at hand when residents of these

⁹¹ Goodman, "De Blasio Bolsters Affordable Housing, but at What Price?"

⁹² This is not an endorsement of all the ways the pro-Mitchell-Lama cooperators may have gone about trying to do so.

key sources of affordable housing weigh whether or not to dissolve the structure from which they've built their lives.



Key Findings

This research is necessarily interdisciplinary; it delves into interpersonal and collective dynamics which are sometimes policy-relevant and sometimes not. Here, I provide the key findings across this research based on the chapter in which they appear and the general topic area; in the following section I will begin to translate these findings into what they mean for individuals hoping to preserve Mitchell-Lama co-ops as affordable housing.

Profiting from Public Subsidy

The arguments, both private and public, through which some shareholders advanced their cause of conversion provides insights into how individuals construct an entitlement to profit generally and, more specifically, to profit born from public subsidy. The cases of St. James Towers and Southbridge Towers indicate that pro-conversion shareholders constructed their entitlement in three ways:

1. Right to profit: cooperators believe in their inherent right to profit from the shares that they own.
2. Earned profit: cooperators believe they earned the profit through creating value by stabilizing their neighborhoods.
3. Promised profit: cooperators believe profit was part of the Mitchell-Lama deal enshrined in legislation or feel they were specifically promised they can leave the program and profit.

To advance or defend these constructions of entitlement to profit, shareholders mobilized the following arguments:

1. Profit as natural (proactive): one should want to profit; in fact, it's normal and not wanting to profit is abnormal.
2. Profit for personal and familial purposes (proactive): the profit will be used for expenses that many people believe are important, such as elder care, education, or supporting family.

3. Profit as cooperative (defensive): the act of profiting actually ends up benefiting others as well, from the scale of the neighborhood to other individuals who can now buy units when they couldn't before.
4. Profit without responsibility (defensive): regardless of the implications of an individual's profiting, those repercussions are not the individual's responsibility.

While the data in this research do not say anything conclusive regarding the characteristics of shareholders that are more likely to construct such an entitlement to profit and argue for it, anecdotal evidence points to wealthier individuals potentially engaging in these arguments more often than their lower-income neighbors. On the contrary, it does not appear that the age of the shareholder, belief in the importance of affordable housing, or understanding of their development as affordable housing are particularly salient in whether or not a shareholder supports conversion.

Finally, these cases indicate just how difficult it is to remove market logic from housing — even in housing structures that attempt to exist outside the market like the limited-equity co-op.

Altruism and Empathy

While profit reigned in arguments for conversion, empathy and altruism were present in those organizing to maintain Southbridge and St. James as Mitchell-Lamas. Across both co-ops, altruistic arguments exhorting cooperators to vote against conversion and their own financial interests in order to preserve affordable housing for future beneficiaries appear to have had limited influence. Even among pro-Mitchell-Lama shareholders, cooperation was more present than altruism: these

shareholders believed staying in the program to be in the best interest of themselves and future beneficiaries.

Regardless of whether these individuals voting for Mitchell-Lama were practicing altruism or cooperation, the internalization of the need for affordable housing may have differed across the two cooperatives; this could help explain why St. James Towers voted down conversion while Southbridge Towers voted for it. The predominately Black cooperative highly embedded in a residential neighborhood undergoing rapid change and the displacement of its Black residents may have better internalized the plight of the future beneficiary and been more likely to vote altruistically or cooperatively. Residents of an insular residential development within a largely commercial area experienced rising prices as an assault on their own ability to stay in the neighborhood rather than as a more internalized concern for others seeking affordable housing.

While this concern for future beneficiaries was very present in public arguments for remaining in Mitchell-Lama among shareholders and public officials at St. James, Southbridge's pro-Mitchell-Lama faction shied away from this argument as a tactical matter. The branding of the empathic argument as ideological and their belief that shareholders on the fence would not be convinced by a values-based argument meant that the public debate at Southbridge was largely financial. Leaving this to the wayside allowed pro-conversion shareholders to dominate the normative argument space and reinforced the notions of the cooperative as a commodified object in service of its shareholders.

Ownership

Being a shareholder implies ownership, and limited-equity cooperatives are often touted as an effective mechanism of creating homeownership opportunities for lower-income individuals. So the

fact that most cooperators interviewed for this research, regardless of where they stand in the conversion debate, did not consider their limited-equity ownership in St. James or Southbridge to be true ownership is very significant. Their form of ownership is considered an aberration in need of normalization. The housing type's promise is thus undermined by beneficiaries aspiring to the American ideal of a more paradigmatic form of homeownership through a conversion; this paradigm — the American Dream — is notably described in explicitly capitalist terms in direct contradiction to the non-market nature of the limited-equity co-op. Furthermore, many shareholders believed the potential to profit from the future sale of their homes as a defining aspect of true ownership. Pro-conversion shareholders not only seek profit when attempting to leave the Mitchell-Lama program; the attainment of that profit is central to their conception of themselves as homeowners.

Governance

Ownership, in the context of housing, almost always implies control. In cooperative housing, that occurs through the private government of the co-op's board of directors; in Mitchell-Lamas, a supervising agency from city or state government also adds another layer of public governance. Opinions on the legitimacy and the quality of both of these levels of governance indicate some dissatisfaction with how Southbridge and St. James are run — circumstances that might push cooperators away from a more collective approach to housing and toward the somewhat more individualized form of a market-rate cooperative.

Cooperators at Southbridge and St. James (both pro-conversion and pro-Mitchell-Lama) described the governance within their cooperatives in three primary ways:

1. Undemocratic: the co-op board often stifled participation by tight control of agendas, and participation in co-op matters on the whole was relatively low.
2. Myopic: Pro-conversion boards were so focused on realizing a departure from the Mitchell-Lama program that this priority overtook most other co-op concerns or influenced most co-op decisions.
3. Corrupt: Cutting corners is routine, as is profiting from a position of power within the cooperative or doing favors for family and friends.

Each of these primary ways in which cooperators saw the governance of their housing companies points to cooperative breakdown and, in the case of myopic and corrupt governance, toward further commodification of the housing. Boards appear to be captured for individual interests of the board members; cooperators often feel locked out of decision-making; shareholders have lost a shared vision of what the cooperative is meant to do. These, together with the possibility that a market-rate cooperative might provide greater financial benefits to shareholders than Mitchell-Lama, indicate various aligning factors to cooperators dissolving the cooperative in its current form and moving toward a more individualized form.

Cooperators' perspectives on government supervision were much more distinct given their opinions on conversion and the co-op in which they lived, in large part because the supervising agency was different across the two co-ops: the state's Department of Homes and Community Renewal (DHCR) in the case of Southbridge and the city's Department of Housing Preservation and Development (HPD) in the case of St. James.

At Southbridge, cooperators across the conversion spectrum considered DHCR's oversight to be inept or detrimental to the cooperative. Pro-Mitchell-Lama cooperators saw the agency as practicing benign neglect; pro-conversion cooperators believed that the agency undermined the effective function of the cooperative through misguided policies and poor management. With low quality service and little real input of cooperators in the operation of the supervising agency, the way for Southbridge residents to exercise control over this level of governance was to terminate it through conversion.

At St. James, pro-Mitchell-Lama shareholders found the agency to be a useful steward, if not always an efficient one. Pro-conversion shareholders, on the other hand, objected to HPD's role in the co-op as amounting to total government control and therefore ownership — that the co-op was in essence public housing. They conceived of this level of governance as paternalistic and coercive.

Perhaps most importantly with regard to the supervising agencies, cooperators at both developments and on either side of the debate found the financing incentives that mark the primary way that city and state government seek to maintain Mitchell-Lamas as affordable housing to be somewhat irrelevant. In addition to not being an effective means to retain either of these cooperatives in the program, government's approach to housing preservation being exclusively financial may have the unintended effect of further commodifying the housing, laying groundwork for future conversion campaigns.

Race and Class

For its evocations of public housing and a rhetoric of Black liberation, the ownership and governance discussion points further to dynamics of race and class within the conversion debates.

These differ dramatically between predominately Black St. James and predominately White Southbridge.

At St. James, both pro-conversion and pro-Mitchell-Lama cooperators pointed to the discriminatory housing market outside the cooperative to bolster their arguments. For pro-conversion shareholders, leaving Mitchell-Lama meant achieving wealth creation they'd been locked out of otherwise; for pro-Mitchell-Lama shareholders, leaving the program meant having nowhere to go because they would be discriminated against on the basis of race.

At Southbridge, pro-conversion shareholders apparently sought to bring that discriminatory housing environment into the cooperative. Conversion was a means of excluding lower-income and racially-other potential shareholders to avoid the stigma associated with publicly subsidized housing and as a means to improve property values upon conversion. Racism and classism and a desire to return to a nostalgic, ethnic White past were salient aspects of the conversion movement.

A Note on Cooperative Scale and Design

Before moving into recommendations for cooperators, supervising agencies, public officials, and advocates seeking to preserve Mitchell-Lama cooperators as affordable housing, there are two other findings to note.

The first has to do with the actual built environment of the complexes and their scale. The fact that Southbridge was built as a self-contained complex that was inward looking and somewhat distinct from a wider neighborhood may have played a role in its shareholders supposed lower levels of internalization of the lack of affordable housing in the city. While to claim this was a major

ingredient in the conversion debate would amount to environmental determinism, anecdotal evidence points to St. James integration with a wider residential area as salient in how cooperators thought about their housing in connection with the rest of the city.

Southbridge is also very large, at 1,651 units, compared to St. James Towers, at 326. This appears to have been somewhat relevant to whether or not public officials chose to publicly argue against conversion; at Southbridge, politicians appeared wary of alienating a very large voting bloc. At St. James, the political stakes were potentially lower. That public official involvement is a notable divergence between the two cases as well: these officials were able to put forward a strong message in support of empathic decision-making in the conversion process that may have had significant effects on the ultimate vote.

These findings elucidate real challenges to the durability of limited-equity co-ops generally and Mitchell-Lama co-ops specifically.

Recommendations for Preserving Mitchell-Lama Cooperatives

Significant organizing already exists to preserve Mitchell-Lama cooperatives as affordable housing. New York City and New York state offer subsidized financing in exchange for new regulatory agreements that commit the co-ops to another 15+ years in the program. Cooperators United for Mitchell-Lama, a resident-run, citywide advocacy organization born out of the Urban Homesteading Assistance Board, frequently provides counsel to cooperators in Mitchell-Lamas flirting with conversion (St. James among them). Other advocacy organizations, such as Mitchell-Lama Residents Coalition, Tenants & Neighbors, and the Metropolitan Council on Housing, focus largely on

Mitchell-Lama rentals. And then there are the cooperators themselves, who often organize internally to resist conversion.

The efforts of this sometimes-uneasy coalition have been successful, leading to the halting of recent conversion movements at Jefferson Towers, Village View, and Ruppert House. But these are temporary equilibria. At St. James, a little over a year since the active conversion push was stopped at the second vote, pro-Mitchell-Lama cooperators expect the still-pro-conversion board to restart the process by holding a vote on expending funds on a new feasibility study. Southbridge Towers' history is indicative that repeated conversion campaigns might ultimately prevail; as outlined above, the campaigns themselves may undermine the cooperative such that conversion becomes increasingly attractive. Conversion begins to look inevitable. And even in the most stable situations, where a co-op is legally barred from converting because of an existing regulatory agreement with the city or state, that agreement is time-delimited. There's always the chance that conversion can be raised again. The spread of information among pro-conversion shareholders across Mitchell-Lama developments and the inspiration one conversion may spark in another cooperative across the way means this option will not readily fade from the discourse around this housing.

An obvious solution to preserving Mitchell-Lama cooperatives in their current limited-equity configuration is legislative action to change the New York state Private Housing Finance Law to bar conversion for cooperatives—to essentially return the law as it applies to cooperatives on this issue to its original form. Thus far, this proposition has not seen much movement in the chambers of Albany. While pursuit of this legislative goal should remain a key concern for individuals concerned with the future of Mitchell-Lamas, the findings in this research surface more than threats to the affordability of these co-ops; it highlights dynamics and mindsets that could undermine any

collective living arrangement, affordable or market-rate. Neither fail-proof preservation nor clear conversion can resolve some key underlying tensions between cooperators, cooperative governance, and their government supervisors that remain fundamental to the ultimate pursuit of quality housing that promotes inclusive communities. The pursuit of affordable housing preservation depends upon and is complemented by recognizing and addressing these tensions and concerns.

The following recommendations address the key findings presented previously across different levels of the conversion issue, from cooperator organizing to programmatic innovations to legal action. Of course, various findings relate to a larger cultural approach to profit, ideas of ownership, and prejudice which individuals directly concerned with Mitchell-Lama preservation may not be effective in countering in the short-term; I would argue that the preservation of this kind of housing and the creation of accessible housing is, in and of itself, an active advance toward more progressive understanding of those matters.

For Cooperators

Common recommendations for how cooperators should counter conversion efforts include running for the board of directors (and thus seeking to block conversion before it even goes to the votes), bringing in the expertise of advocates like Cooperators United for Mitchell-Lama to assist in organizing and explaining the pros and cons of conversion to shareholders, and attempting to get public officials to speak out against conversion, as shareholders at St. James successfully did. To these commendable and important strategies, I add:

1. Make the empathic argument.

As noted above, arguing against conversion on solely financial grounds, even if apparently strategic, removes the very key concern for future beneficiaries of affordable Mitchell-Lama units from the debate, allowing pro-conversion shareholders to make normative claims without contestation and reinforcing the commodification of the cooperative already underway.

2. Promote internal cooperative education.

The provision of education and training to members of cooperatives and the public is among the original Rochdale Principles, a set of internationally recognized ideals on which cooperatives operate. While Southbridge notably had plenty of classes on offer for its residents, no structure exists there or at St. James to school members on cooperative purpose, history, or operations. (A 1979 guide for Southbridge Towers notably did provide basic information on the co-op in a booklet for all residents; its first sentence reads “Preserve Southbridge.”) Providing opportunities for residents to learn the history of Mitchell-Lama, its mechanism for creating long-term affordability, the distinction between the limited-equity form of homeownership and renting or market-rate ownership, and the internal governance structure may help to build a shared vision of the cooperative as well as provide grounds for debate outside of charged *ad hominem* attacks and contentious votes. These trainings do not need to be nor should they be explicitly anti-conversion. They will however seek to provide better context on what limited-equity homeownership means and the Mitchell-Lama program’s history and mechanics that may push cooperators toward understanding themselves as true owners and counteracting an entitlement to profit from public subsidy.

3. Foster interaction with prospective cooperators on the external waitlist and new residents.

The racialized and discriminatory language used to describe new shareholders moving into Southbridge Towers and the inability of some shareholders to internalize a need for affordable housing speaks to a disconnect between current residents and their future neighbors coming off the wait list. Periodic events through which current residents could meet potential future residents and recent movers could both bolster a feeling of obligation towards future beneficiaries and diminish the stereotyping that some shareholders use to brand future residents as unwanted or unsavory. Residents should not have the ability to use this opportunity to block any future resident from ultimately moving in; rather, these periodic events would serve to remove the artificial barrier between the Mitchell-Lama haves and not-yet-haves.

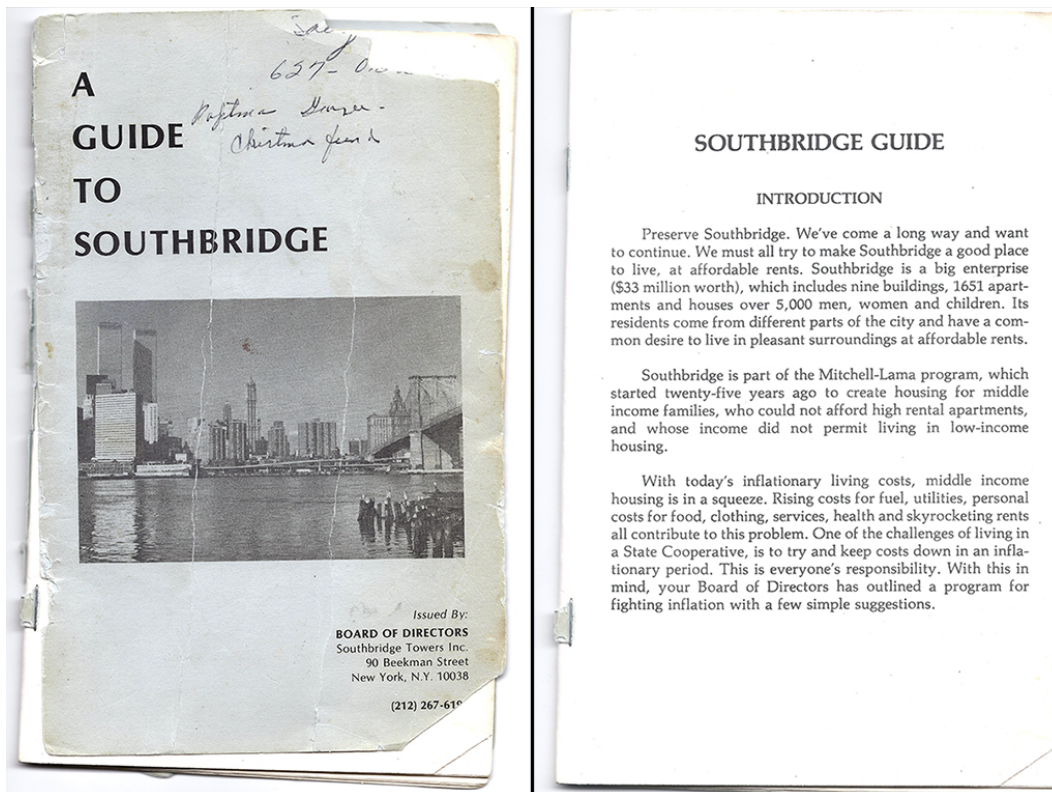


Figure 17: The cover and front page of the 1979 “A Guide to Southbridge,” with information for cooperators on everything from air conditioners to window guards, in addition to laying out details on the Mitchell-Lama program

For Supervising Agencies & Public Officials

Resource constraints often hobble government agencies' ability to fulfill their mandate to the degree they would like. Accordingly asking that supervising agencies like the city's Department of Housing Preservation and Development (HPD) and the state's Department of Homes and Community Renewal (DHCR) do their jobs better is often not a question of will or expertise but of capacity. However, doing a better job is crucial to preserving Mitchell-Lama. The corruption scandal involving DHCR employees at Southbridge Towers did irreparable damage that fed into the conversion debate, as did the absent oversight of the agency. Policies on pushing cooperatives to opt for the lowest bids on major contracts erodes confidence in the supervising agencies' decision-making abilities. Non-enforcement of existing regulations can foster an expectation that cooperative corruption will not be addressed.

Supervising agencies cannot do this alone; they often need the support of public officials in funding and political arenas to more effectively oversee cooperative matters and to intervene when appropriate. Simply put, public officials must be engaged in these conversion debates, pushing for the preservation of affordable housing and granting the supervising agencies the necessary political cover to do their jobs.

The existing structures, however, are not enough to ensure the preservation of Mitchell-Lama cooperatives as affordable housing. The major finding that current financial incentives offered to co-ops considering conversion were not an effective carrot in the cases of Southbridge Towers and St. James Towers push us to develop new approaches to incentives for co-ops and the regulations that govern them. Nine potential improvements follow.

1. Work across local and state government to tie other subsidy sources to regulatory agreements on affordability.

The lack of interest in the financial incentives provided by HPD and DHCR as long as they are tied to additional terms of affordability is possible because Mitchell-Lamas are able to find funding elsewhere for major capital projects. While these sources include private lenders, they also include public ones. For example, Southbridge Towers was able to get a highly subsidized loan from the New York State Energy Research and Development Authority (NYSERDA) to make its windows more energy efficient. This did not require a commitment to staying in Mitchell-Lama. While the supervising agencies and public officials cannot block the housing companies from taking out private loans, it can seek to tie other forms of public subsidy received outside of the housing agencies to similar regulatory agreements.

2. Create a mandatory waiting period between failed and revived conversion campaigns.

Under current HPD and DHCR regulations, conversion campaigns can continue somewhat constantly if a cooperative is not under a regulatory agreement. At St. James, even though the conversion vote failed in February 2017, a new, formal push to leave Mitchell-Lama could begin as early as a year later. This possibility promotes the kind of myopic governance many shareholders at Southbridge and St. James noted; the co-op's operations can be captured by a move toward conversion, leaving other matters by the wayside. A longer mandatory waiting period between attempts at converting would not only protect against this; it would also make existing financing tied to a regulatory agreement more attractive to a pro-conversion board.

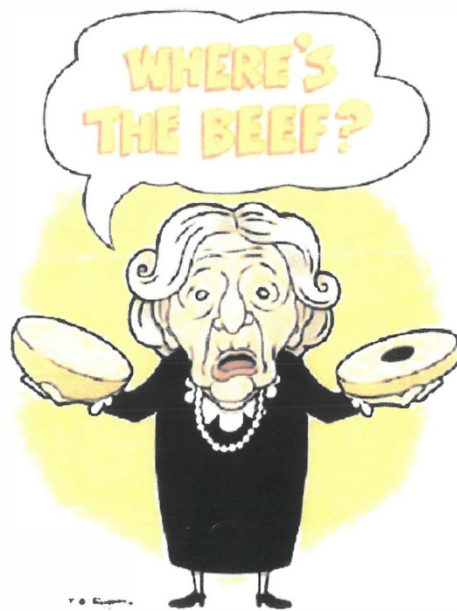
3. Remove conversion from the board of directors' purview.

Because control of the board of directors is the only guaranteed way to either keep a conversion campaign moving forward across its multiple stages or block its advance, most board politics are dramatically affected by the larger conversion debate. This is evident in concerns about myopic governance and by individuals' motivations to join the board being primarily related to realizing conversion. HPD and DHCR could change their regulations to require that the management of the conversion process in a development take place outside of the board's purview by a special elected committee made up of non-board cooperative members. Once the board has decided to pursue a first stage vote on the commissioning of a feasibility study, the special committee would be simultaneously elected and would stand until a conversion vote failed or the co-op left the Mitchell-Lama program. This drawing of a line between board activities and a conversion campaign would arguably help to free board attention and decisions from an overriding concern with conversion; the choice among the most ardent supporters of conversion of whether to run for election to the conversion committee or the board would also free up seats for a wider range of viewpoints on the board. The board would be regulatory barred from attempting to advance the conversion campaign; only a conversion committee could manage that process. This firewall may also reduce the ability of shareholders to take advantage of the process for personal financial gain.

4. Provide basic education on limited-equity cooperatives and technical assistance to any cooperator on co-op operations.

In 1960, in the midst of the heyday of Mitchell-Lama construction, DHCR issued a pamphlet titled "The ABC of Ownership in State-aided Cooperative Housing," explaining the benefits of limited-equity cooperatives and their mechanics to new shareholders. It appears that this kind of education no longer occurs, potentially leading to misunderstandings of cooperators about their tenure type

and the purpose and logistics of the Mitchell-Lama program. While cooperators who serve on their cooperative's board of directors can avail themselves of technical assistance from the state and advocacy groups, this arrangement does not serve to equip general cooperators with the know-how to govern a cooperative effectively that they may need to get elected or to feel comfortable engaging in governance. With these tools to better understand and engage in cooperative governance, cooperators may feel more equipped to address undemocratic, myopic, and corrupt governance in their cooperatives and see the significant independence the housing company over its operations, changing the relationship to the supervising agency and building a confidence within the cooperative body for self-management that may be undermined by conversion debates.



Where's the Mitchell-Lama contract? If we do not go private, there is no guarantee that we can stay in Mitchell-Lama. "Show me in writing," as the anti-privatization group likes to say. We do not have a contract with Mitchell-Lama.

Figure 18: A flyer from Southbridge Towers that exhibits a misunderstanding of the co-op's relationship to the Mitchell-Lama program

5. Launch a campaign for limited-equity homeownership, potentially through a celebration of Mitchell-Lamas 65th anniversary in 2020.

The belief among many cooperators that limited-equity homeownership is not true homeownership undermines the Mitchell-Lama program and fuels a desire among cooperators to reach more paradigmatic homeownership through conversion. The supervising agencies and public officials should directly counter this notion with a campaign touting the benefits of homeownership the limited-equity way, normalizing the structure and celebrating the great successes of the program.

6. Standardize rules across supervising agencies and consider consolidation of Mitchell-Lama oversight in New York City under the New York City Department of Housing Preservation and Development.

The distinctions in rules governing the same housing form based on the particular supervising agency—HPD or DHCR—adds to existing confusion around government supervision of Mitchell-Lamas (something that advocates like Cooperators United for Mitchell-Lama have long pointed out). Improvements in rules by one agency is not necessarily reflected in reforms at the other. Given New York City’s greater material interest in the preservation of affordable units in the Mitchell-Lama program than New York state, and existing regulations that more clearly and stringently regulated the conversion process, consolidating the oversight of all Mitchell-Lamas in New York City under HPD—with a concurrent increase in resources to handle the larger portfolio—could improve the chances of preserving the housing and the relationship between co-op and supervising agency.

7. Reform surcharges for over-income individuals, take greater account of wealth in addition to income, and consider a policy triggering a required sale of shares upon the purchase of a second home.

Unlike most affordable rental housing, cooperators who exceed the income limits for entry into a Mitchell-Lama cooperative after they have become members are not forced to leave; instead, they must pay a very modest surcharge on their carry charges, which goes to cooperative operations.

There is some indication that higher income individuals are more likely to push for conversion than their lower income counterparts; these individuals are also able to build wealth due in part to the affordability of their housing.

The supervising agencies should consider requiring disclosure of wealth in addition to the income of cooperators on a yearly basis and increasing the surcharges on over-income shareholders. To reflect that a publicly subsidized unit is being occupied by an individual to whom the program is no longer targeted, the surcharge should be paid to the city or state for the production of additional affordable housing, rather than accrue to the cooperative in cases where the cooperative has significant reserve funds. In those instances in which the cooperative is in dire need of funding that would otherwise come from the city or state, the surcharge revenue could continue to be paid to the cooperative as a means of stabilizing that housing for other residents. Regardless of the ultimate pocket for surcharge revenue, more must be asked of over-income individuals in order to offset their residency in a unit that could otherwise house a family of more limited means.

Bridget Schuy recalled how the affordability of Southbridge allowed “a lot of people the opportunity to buy their Hamptons house or their home in Florida, which is what a lot of people did do. There you have the people with the Mercedes and the Jaguars in the garage living side-by-side to the

people who are on SCRIE [Senior Citizen Rent Increase Exemption or the Rent Freeze Program] and are getting Meals on Wheels.”

In these cases, the affordability of the Mitchell-Lama program has done its job: it has allowed individuals a solid foundation from which to build wealth; rather than individuals able to purchase a second home being allowed to continue to avail themselves of the program’s affordability to build further wealth (and potentially push for conversion), the supervising agencies should consider a rule requiring the forced sale of a cooperative share back to the housing company for sale to the next qualified household off the wait list in the case of the purchase of a second home by an existing cooperator. While such a purchase could be obscured by the use of a limited liability company and other means, these incentives together may encourage over-income existing shareholders to make way for future beneficiaries once the Mitchell-Lama program has served them.

8. Provide infrastructure for cooperators to invest in savings through additions to carrying charges, communicate to shareholders how much they are saving on housing, and incorporate a loan fund or lending circle into the cooperative structure.

As Southbridge cooperator Chris notes, “the big issue with the Mitchell-Lama system is there’s really no good way—unless, you yourself are personally responsible for your own handling of finances to be financially successful—to save enough money to do so and create that nest egg.” Many cooperators see conversion as their only chance to profit from their housing or access funds to pay for things like eldercare or higher education for their kids. And yet, as Chris’s collaborator Victor Papa noted, “We had an enormous surplus in our replacement revenue. Enormous surplus. We were wealthy, we had money.”

Because the benefits to Mitchell-Lama shareholders accrue through savings of not paying market costs for housing, this benefit can be hard to see. Showing cost savings over time for each household on carrying charge bills to the units and marking their savings and costs against market metrics and prevailing rents in the neighborhood can better communicate the value of their affordable housing to cooperators.

But the issue of not having funds available to take care of personal and familial expenses (leading to arguments for profiting through conversion to be able to pay for such things) remains. The structure of the cooperative can be used to address this issue in two ways. First, the cooperative can provide the mechanism through which cooperators can invest in savings by allowing them to contribute to those funds through slightly higher carrying charges on a monthly basis. Second, the cooperative can use its stable community and the value of its property to provide opportunities for shareholders to access emergency funds.

This could work in numerous ways. In one iteration, the cooperative could capitalize a fund for emergency loans to its members in a similar way that it capitalizes its reserve funds. Cooperators could apply to this fund for emergency loans. The cooperative infrastructure could also be used as a basis for lending circles among cooperators. Cooperators' shares could be used as collateral in a case of someone leaving the cooperative without repaying the lending circle; the stability of the cooperative community and the existing ties between members could provide a sound basis on which to create such an arrangement.

9. Institute a tax upon a converted Mitchell-Lama's flip tax revenue.

To retain the affordability of the Mitchell-Lama cooperative in the short-term following conversion, a newly market-rate cooperative charges a tax (often upwards of 30%) on the initial sale of a cooperative unit on the open market. The significant influx of funds to the cooperative from this flip tax is used to offset the increases in cost brought by the loss of subsidy—particularly the increase in property taxes to a normal rate and increased valuation of the property.

The logic of this tax is to maintain the low cost of housing for existing cooperators while allowing their neighbors to still profit from the sale of their shares. If the co-op taxes its residents' sales in order to maintain affordability, so should the city take a cut of this tax to fund additional housing to replace that which was lost through conversion. This tax would provide an additional funding source for new affordable housing while also necessitating an increase in the flip tax of converted cooperatives to ensure their carry charges remain low. This would de-incentivize conversion by reducing the profit to be made or, in the case that the flip tax was not raised, reduce a converted co-op's ability to keep its carrying charges low. Without these low carrying charges in the short-term, conversion would no longer be as attractive an option for shareholders who hope to remain in their homes, shrinking the movement's base.

For Advocates

Mitchell-Lama co-ops often get less attention from housing and affordability advocacy groups than their rental counterparts, sometimes for good reason. Mitchell-Lama rentals are significantly more vulnerable to being turned into market-rate units and have seen their ranks decimated. Add to that the tension between the self-governance of the cooperative itself and the role of outside advocates in intervening in that decision.

Despite these considerations, advocates beyond Cooperators United for Mitchell-Lama (CU4ML) should pay closer attention to cooperative issues, pushing for some the regulatory reforms outlined in the previous set of recommendations for public officials and supervising agencies and pursuing their own actions to forestall conversion. While CU4ML currently provides crucial guidance for pro-Mitchell-Lama cooperators across New York City, their role can be enhanced through deepening the kind of services provided by advocates and expanding the issue realms on which they engage. The following two recommendations seek to build on the current advocacy work underway:

1. Pursue a case against conversion on fair housing grounds.

Advocates for the preservation of Mitchell-Lama units typically focus solely on the loss of affordability. However, much more is at stake—these co-ops can support the preservation of mixed-income and racially diverse communities. The case of Southbridge Towers indicates that profit is not the only goal of conversion; exclusion of lower-income individuals and racial others is also a motivation. The racially charged language around, for some, undesirable new residents entering through the Mitchell-Lama waitlist and the dissolution of that waitlist upon conversion presents the opportunity for fair housing advocates to resist the loss of affordability and diversity through a lawsuit on fair housing grounds.

This suit could rest on two arguments. The first centers on the potentially racially motivated language around the conversion. Given that cooperators in a market-rate co-op can screen their future neighbors and reject them for any number of reasons, stated preference against protected classes (including race) under fair housing law could put conversion motivated by the desire to exclude outside of the law.

The second argument is one of disparate impact. A comparison of the racial composition of the waiting list dissolved under conversion and the racial composition of the new buyers of shares following conversion may indicate that conversion has a disparate impact of locking Black prospective owners out of the new market-rate co-op, in large part because of the relationship between race and income across the US. This analysis has not yet been done, but the fair housing argument presents a new front in organizing against conversion that recognizes that Mitchell-Lamas present more than just an opportunity for affordable housing, but rather the potential for families to gain entry to areas of opportunity often denied to them because of their race.

2. Get into the business of producing conversion feasibility studies.

One of the strategies CU4ML currently uses to promote preservation is a back of the envelope calculation of the future financial health of a Mitchell-Lama cooperative upon its conversion. These studies often show that flip tax revenue will run out in the medium-term, eventually causing carrying charges to rise,⁹³ potentially pricing out cooperators on fixed incomes who hoped to live out their days in the cooperative.

While these assessments are useful, they lack the authority of the professional feasibility study produced on contract for the cooperative. Advocates should consider getting into the business of producing these feasibility studies through a new independent business entity committed to unbiased projections. An option outside of the existing consulting and law firms that produce these studies at the behest of the pro-conversion boards could provide pro-Mitchell-Lama cooperators an

⁹³ Pro-conversion shareholders at Southbridge Towers acknowledge that this would, in fact, be the case.

opportunity to counter feasibility studies with professionally done alternatives or to push the board toward contracting with such an independent firm to produce the official study.

A Note on Article II to XI Conversion

Since 2011, the city's Department of Housing Preservation and Development has promoted an alternative to conversion for Mitchell-Lama cooperatives. Known as an Article II to Article XI conversion (referring to the relevant sections in the state Private Housing Finance Law), this alternative allows Mitchell-Lama cooperatives to transform into Housing Development Fund Companies (HDFCs), a program that was used to convert abandoned buildings and affordable rental properties into cooperative housing.

While the advisability of these conversions as a strategy for Mitchell-Lamas was not a significant concern in this research, HPD's intention to provide this option to many Mitchell-Lamas makes it a key consideration in ongoing conversion debates. Advocates have objected strongly to this option because of a loss of affordability that would occur upon this conversion. In an HDFC, a cooperator can sell their units to a new qualified buyer rather than back to the cooperative. While this buyer would have to meet certain income limits, the price of the share would be dramatically higher than a Mitchell-Lama share, undercutting the long-term affordability of the housing. Buyers would need to finance this purchase with a mortgage, meaning that many individuals on existing waitlists would be locked out of the housing, given that they earn too little to qualify for such a mortgage.⁹⁴ While HPD sees this as a compromise option to maintain some affordability and allow cooperators to get a

⁹⁴ An official at HPD confirmed that this would likely be an effect of the conversion but countered that Mitchell-Lama is a moderate-income housing program and that income level is otherwise not served well by affordable housing programs in New York City.

return on their investment in the co-op, this option does appear to undermine much of the promise of the Mitchell-Lama program. Advocates' continued opposition to this option appears warranted.

Recommendations for Structuring New Limited-Equity Cooperatives

Many of the findings above and these recommendations for preserving Mitchell-Lama cooperatives are translatable to setting up new limited-equity cooperatives for success. Given current significant interest among housing practitioners and community development professionals for this housing form, looking for lessons from one of the most successful programs for building and operating limited-equity cooperatives in US history is a must. Seven additional or complementary recommendations to those above follow.

1. Structure the cooperative for permanent affordability without an option to convert.

Simply put, unlike Mitchell-Lama, shut off an avenue toward conversion from the outset, just as the original Mitchell-Lama legislation did.

2. Build in stronger income- and wealth- regulations to ensure significantly over-income individuals contribute to the maintenance of the affordability of a co-op or the creation of new affordable housing.

The recommendations above for how to hold cooperators who have built up wealth through the Mitchell-Lama program responsible for funding additional affordable housing or relinquishing their unit to an eligible family can be applied to new cooperatives. Getting these regulations right requires balancing the desire for stable communities and the security of tenure for a cooperator and a charge to make sure affordable cooperative units continue to serve the individuals that need them. Whether potential surcharge revenue from over-income cooperators should flow back to the cooperative (in

part benefiting those cooperators themselves) or to another entity (such as a local government or non-profit) to build or support new affordable housing depends on the local context and the needs of the existing cooperative.

3. Maintain a seat at the table in the oversight of the cooperative.

The supervising agencies in the Mitchell-Lama program retain a seat on the board of their supervised cooperatives, though in the case of Southbridge Towers and St. James Towers, these were rarely occupied. Whether future limited-equity co-ops are created by non-profit entities or government agencies, these bodies should retain a similar seat at the table in co-op operations. While the approach should be hands-off, allowing for the ideal of self-governance in the cooperative to proceed forward as much as possible, this presence can be used to provide important technical assistance and a continual reminder of the public purpose of the cooperative.

4. Construct co-ops to guard against the creation of large voting blocs or overly self-contained communities.

The dramatic scale of Southbridge Towers created a large potential voting bloc in local political matters, and its design created somewhat of a self-contained community. These appear to have been ultimately detrimental to the preservation of the limited-equity cooperative. Economies of scale in housing construction can be maintained by pursuing a structure akin to St. James—multiple cooperatives built as one project but structured as distinct corporations.

5. Retain control over the initial sale of units to ensure promises of profit are not made.

The fact that so many cooperators at St. James and Southbridge believed they had been promised profit through conversion when they purchased their shares in the co-op calls into question how the

private entities that sold the shares marketed them. To ensure that cooperators are not misled about the nature of the limited-equity arrangement, sponsoring entities of new limited-equity cooperatives should retain control over marketing or closely monitor how private brokers sell the co-op.

6. Build in mechanisms for cooperators to hold back some of their savings from affordable housing for a rainy day.

Limited-equity co-ops do not allow cooperators to rely on the value of their shares as equity to borrow against or a source for profit to take care of other expenses in the future. This necessitates a proactive approach to saving. Sponsoring entities can encourage this by creating built in saving mechanisms for cooperators from the outset, as outlined in recommendation eight under “For Supervising Agencies and Public Officials” above.

7. Fulfill the Rochdale Principle of continual education for cooperators and the public.

The cases presented in this research indicate that continued education for cooperators is key to bolstering the idea of limited-equity homeownership as legitimate, developing the skills of the cooperative body to participate in its governance, and clarifying how the co-op relates to its members, the public, and government. While education may appear “soft” next to key investments in the physical plant of structures or the financial health of the corporation, this kind of social maintenance is no less important in ensuring the long-term viability of the cooperative.

Avenues for Complementary Research

The cases of just two Mitchell-Lama cooperatives grappling with a conversion debate can only take us so far in understanding what factors influence the individual and collective decisions of cooperators to maintain the co-ops’ affordability restrictions or remove them. Analysis of the whole

Mitchell-Lama cooperative portfolio, particularly through statistical analysis, can build on the understanding developed through a deep look at St. James and Southbridge Towers. While I was not successful in obtaining access to data kept by the supervising agencies, the city's Department of Housing Preservation and Development (HPD) and the state's Department of Homes and Community Renewal (DHCR), further requests for the following data to explore additional hypotheses would be fruitful.

- While these two cases were selected in part because of the similarity in market environments for the resale of co-op units, further consideration of a co-op's proximity to different services and public housing developments, as well as the characteristics of local and adjacent neighborhoods and real estate markets, would provide deeper understanding of how these factors affect cooperators' decision-making.
- Analysis of whether the size of a co-op is correlated to movements toward conversion could shed additional light on how the scale of a community affects cooperator participation and social ties that may affect conversion debates. In non-housing cooperatives, size has been shown to be inversely correlated with democratic governance.⁹⁵
- A major difference between Southbridge and St. James is their supervising agency. A more comprehensive look across the Mitchell-Lama portfolio at outcomes among HPD- vs. DHCR-supervised co-ops may point to the most effective forms of supervision and provide further support for standardization of regulations or consolidation of oversight across the two agencies.

⁹⁵ Jones and Kalmi, "Economies of Scale Versus Participation."

- This case analysis indicates that race and income among cooperators are salient factors in conversion debates. Given the likely correlation between age and fixed incomes within limited-equity cooperatives, this demographic quality of the cooperative body might be correlated with particular approaches to conversion. A portfolio-wide analysis of cooperative demographic characteristics and the nature of their conversion debates would provide extremely valuable information on the factors involved in those debates.
- Research on other forms of cooperatives point to low participation as a possible indicator of the fragility of a cooperative and a factor in eventual dissolution.⁹⁶ Using voting rates across various elections and cooperative-wide referenda across the full Mitchell-Lama co-op portfolio can shed light on whether this dynamic may also be at play in limited-equity housing cooperatives and conversion debates.
- Concerns around the preservation of affordable housing no longer legally required to remain in subsidy programs abound outside of Mitchell-Lama. Properties built with the Low-Income Housing Tax Credit (LIHTC) are of particular concern, given that this tax credit is the largest source of funds for the construction of new affordable housing in the US today. Research on LIHTC properties' status as affordable housing after their 15-year compliance period indicate that the nature of the original developer (for profit vs. non-profit) appears to affect whether or not the housing remains affordable.⁹⁷ Analyzing this dynamic among Mitchell-Lama cooperatives

⁹⁶ Jones and Kalmi.

⁹⁷ Khadduri et al., "What Happens to Low-Income Housing Tax Credit Properties at Year 15 and Beyond?"

could be a valuable exercise as well, especially if union-sponsored properties or other non-profit-constructed cooperatives tend to remain in the program while for-profit constructed cooperatives seek conversion.

- This research on LIHTC properties also indicates that properties with higher capital needs remain affordable at higher rates, in part because subsidized financing comes with additional compliance terms like that offered by HPD and DHCR.⁹⁸ While the cases of St. James and Southbridge indicate that the subsidized financing offered to cooperatives was not attractive in part because of its regulatory requirements, considering this dynamic across the Mitchell-Lama cooperative portfolio would be instructive.

This research has focused squarely on conversion debates at Southbridge and St. James Towers, but its concern is much broader—what affects individuals’ decisions to prioritize collective over individual benefits and how do these dynamics affect access to and the provision of quality, accessible housing for all. Though conversion forever changed Southbridge Towers and the initial conversion push at St. James failed, these communities continue on. To recall St. James cooperator Graham’s description, “there are always, as in any community or neighborhood, some philosophical differences in how things should be run. But, you know, we fight it out and wind up living together without any major consequences.” Or as Southbridge cooperator Victor Papa wrote on the day

⁹⁸ Khadduri et al.

following the successful final conversion vote, “This is a new day. We now need to restore harmony to our community, a community which will undergo profound changes.”

The imprint of conversion debates remains at these cooperatives, long after discussion has waned or the votes have been taken. These debates do not only determine the legal and financial structures of the cooperative but more fundamentally determine who can be part of a community and stake out an idea of what community exists for. While the long-term consequences of cooperators’ decision on conversion are not yet known, the immediate aftermath speaks to the implications of conversion for cooperators and the greater city.

Epilogue: Southbridge Towers & St. James Towers Today

September 30th, 2014 was, according to Jan, an extra New Year's Eve for the year among some Southbridge cooperators. It wasn't the night before the Chinese New Year, celebrated so festively in Manhattan's nearby Chinatown, but it was a new beginning. The votes had come in. Southbridge Towers would become a market-rate cooperative, leaving the fold of the Mitchell-Lama program.

"They were screaming in the plaza. I mean the scene in the plaza was crazy!" Jan reminisced. "There were people crying, there were people laughing, there was screaming, there was ... it was hysterical."

For some, it was a dream fulfilled. Jan recalled "one of my friends, she's a little older than I am, her mom died after 9/11 as a result of having to be taken down 22 flights of stairs in the search and all that. But when we did go private, the night we went private, she cried, and she said, 'My mom's dream has come true for her.'"

For others, a long, seemingly uphill battle for the ideal of their co-op had been lost. Roberta Singer remembers the aftermath, with not a little bit of sarcasm: "Great, I have an asset. What am I gonna do with this asset? I want to live in it. I don't have children. I still feel like I want to live here until they carry me out in a box. Someone said to me, 'So, Roberta, how does it feel to be a millionaire?' ... It doesn't feel any different than it did before except that I feel like I can't do with it what I wanted to do, which was let somebody have the opportunities I had."

The New Year's Day in this metaphor was still a ways away. Pro-Mitchell-Lama shareholders brought suit against the co-op alleging voting irregularities, stalling the official conversion to a

market-rate co-op and further stoking the ire of their pro-conversion neighbors. As a Wally Dimson memo to the cooperative on June 9, 2015 explained, “twelve shareholders who signed Participation Agreements have passed away. Six of these shareholders did not have a family member who could claim succession and as a result their heirs have lost the possibility of inheriting a very valuable asset.” These deaths and lack of an heir, however, strongly benefited the co-op. Those six apartments were, upon final conversion, the co-op’s to sell at market rates, reaping far more than the flip tax would have brought in had an heir eventually sold.

Between conversion and the end of 2017, New York City real estate transfer records show 190 transactions at Southbridge, with \$ 121,036,857 changing hands. Twenty-two of those have been sales by the co-op to a buyer, meaning that it takes home the full sale price: in total, \$ 16,453,223.⁹⁹ By way of the co-op’s 28 percent flip tax, the co-op has reaped another \$29,283,418 in these transactions. This total revenue of \$45,736,641 significantly offsets the \$18,133,761 in property taxes it has had to pay through the end of 2017.¹⁰⁰ More shares have sold than the Black Book, the offering plan for conversion voted on by the shareholders, projected. The risks of conversion that pro-Mitchell-Lama shareholders based their arguments upon have not yet come to pass. In Roberta Singer’s estimation, “we were wrong on the economics.” But many of the risks they noted are not short-term concerns. Jan and Wally Dimson both admitted that at some point the apartment sales will slow and all apartments will have been sold at least once. At that point, the flip tax revenue will reduce to a trickle and cooperators’ carrying charges will rise. On September 10, 2015, affordable

⁹⁹ Sales data for Southbridge Towers is available through New York City’s ACRIS database.

¹⁰⁰ Property tax information for Southbridge Towers is available through New York City’s Department of Finance NYCProperty website.

housing for the public disappeared; in the coming years, affordable housing at Southbridge for its residents at the time of conversion will likely disappear as well.

While the economic faults predicted by pro-Mitchell-Lama cooperators have not come to pass, many of the rifts in the community that touched each one of them remain. “There are people who still don’t speak to me, who walk by me like I’m the anti-Christ, because I opposed this,” Paul Hovitz noted. That deep of a fracture may never mend, but other breaches are closing. Referring to the letter he sent the day after Southbridge’s New Year’s Eve redux, Victor Papa said “get over it, because these are our neighbors and there’s nothing you can do to turn the tide. You now have to live in this community, and it’s a different community. It’s going to change over time, but you better learn to scale down your temper and your feelings about it and start trying to get along.”

Chris finds that “the complex has gotten better, in terms of cohesion. But it still hasn’t felt the same as what I remembered it to be.” Roberta Singer expressed that “the sense of community that we used to have, it’s changing. I’m not saying it’s dissolving; it’s different. I say hello to people and get on the elevator and comment on their dog or whatever. ... I think that people living in their devices interferes with their interest and ability to have human contact outside their own heads or maybe even within. I don’t think people of a certain age need to necessarily be deferred to, but a certain amount of respect if you see somebody walking with a cane ... just holding the door would be nice. That’s changed.”

The sales of shares in the cooperative have brought more than money to cooperators and the cooperative; new buyers with very different economic profiles than the cooperators who weathered

the conversion debates on both sides are now in residence. Victor Papa noted that this newness is quite a departure from the old Southbridge:

“You know, one of the things about Southbridge was its consistency. People were consistently living there year after year. You get to know these people. Your kids grow up with these kids. They become best friends. They marry each other. Versus like the new family that moved in on my floor: only one apartment was converted,¹⁰¹ but we don’t know who they are. But they’re trying and we’re trying. But they stand out from the rest of us. When you’re here 40 years, it doesn’t matter. It’s kind of like that. That’s going to happen more and more.”

Paul Hovitz adds to this mixed bag perspective on new residents: “what I do see that’s promising is that we’re getting younger people moving in. And the great thing about young people with children is that they do have a commitment, and it makes for better community. ... But one of the things we’ve lost is the diversity.”

The exclusiveness of the new market-rate co-op, with residents screened through an interview committee of the board, is being realized. Jan noted that her family member who serves on the committee described everyone he interviewed as “so nice, so interesting, so bright.” But this influx of new individuals, and new rules around subletting apartments implemented with the conversion, means a transitory population is, for the first time, visiting Southbridge. Jane noted, “That’s a problem they’re tackling now. ... If you see somebody with a suitcase, are you entitled to challenge

¹⁰¹ Papa is referring here to only one apartment on his floor being sold on the open market following conversion, not the use of conversion as a synonym for conversion (which is impossible for a single unit within a Mitchell-Lama to do).

them? Can security challenge them?” The close-knit, well-defined community of Southbridge is no more, and new residents are beginning to reshape it to fit their vision of home.

Tom explained that “you can always see the difference in opinion between the people who came in and spent \$1 million for their apartment and those who spent \$3,000 for their apartment 25, 30 years ago. It’s a transition. It’s a process. ... The people who come in—most of them who spent a lot of money in their co-op take a little more pride in their units and in the co-op as a whole. ... Yeah, we have a lot younger people in now, a lot more children, a lot more dogs, which doesn’t thrill me, but it is what it is. More people are coming in and participating in the committees, so they want to have their voice heard a little bit in the co-op.”

In recent months the exertion of this new voice is beginning to unveil fault lines between Mitchell-Lama era cooperators and the market-rate newcomers. Chris reports that a fight on the board recently broke out: new cooperators were pushing for major renovations of hallways and lobbies across the complex to boost the aesthetics of the complex. Many existing cooperators, wary of unnecessary expenditures that could deplete reserve funds and ultimately drive their still-affordable carrying charges up, pushed back. Southbridge Rights, a major pro-conversion group within the complex, came out against the new expenditures.

Some of the new shareholders appear to share some original cooperators’ contention that Southbridge looks like it’s “one step up from the projects.” The complex certainly doesn’t sport the luxury amenities of surrounding developments. The hallways are cinderblock-sterile; the ceilings are low. Even the recently renovated lobbies sport a faux-luxury; a black and white stock photo of the Brooklyn Bridge spanned the length of the wall behind a security guard’s desk when I visited.

This new push for renovations based on looks rather than utility is emblematic of a new market orientation. Property values must be protected and increased and sales must occur to keep the whole scheme running. “We have a lot of competition,” Tom noted. “Yes, our prices are a little less than market, and our maintenance is very low, but we don't have a lot of amenities like you have when you buy an apartment with a pool and the clubs and stuff like that.” Papa observed the reorientation of cooperative governance around this new market imperative—a shift that’s quite notable given that the board had been focused on conversion for close to a decade: “Everything we get in terms of communication is all relevant to the real estate question. You can’t do this with your apartment, you can’t sell the apartment, you have to wait—all these rules and regulations, and nothing to do with the rest of the community life. It was all focused on the real estate.”

In our conversation, Bridget Schuy declared, somewhat cryptically, “I believe in real estate” multiple times. While the incorporation of new shareholders into community life at Southbridge is still in transition, the evolution of Southbridge from a community of homes removed from market speculation to a collection of financial entities appears complete. In the new Southbridge, Schuy may find 1,600+ assets to believe in.

When I met pro-Mitchell-Lama cooperator Marlene Steele just down the street from St. James Towers at Peaches Shrimp and Crab, her mood regarding the prospects for the co-op’s future in Mitchell-Lama was much higher than her counterparts at Southbridge, and obviously so. She and her collaborators had won; conversion was not an imminent threat, for now. But she expected to be

back at the conversion fight soon enough. Referring to St. James board president Noreen Hosier, Steele said “I know I’m getting ready to have a clash of the Titans war with her again, but I’m ready. ... She's telling them, ‘Oh, your maintenance not gonna go up.’ I said, ‘If you believe that, I have three bridges to sell you: the Brooklyn, the Manhattan, and the Williamsburg.’”

In between calls on one of her three phones and periodic teasing of the waiters that only a regular can pull off, Steele expressed sadness with the environment at the co-op: “yes, it’s still ugly. People still aren’t speaking to me.” But life goes on. She’d recently pulled off a major bash at a banquet hall on the Long Island University-Brooklyn campus for her mother’s 100th birthday. She shows me a video of a celebration that must have been grander than Southbridge’s New Year’s Eve—*Great Gatsby*-themed and capped with the presentation of a letter from President Barack Obama and First Lady Michelle Obama to her mother. As the video wound down, Steele, in her husky voice and shaking her head such that her gold necklace with gold moon and star swayed, showed off her joy, pointing at her mother on the screen and saying “That’s my Diva! That’s my diva!”

Pro-conversion shareholders share her prediction of a brewing, continued debate over conversion at St. James, if not this kind of delight. Whiteside took to *Crain’s New York Business* to blast the public officials that pushed back against the conversion tide in St. James’ playground. Simon expressed little hope that the coercive powers of the city’s Department of Housing Preservation and Development and the untrustworthy, in his estimation, politicians that gathered that day in Ryerson community room would ever let him claim the profit he was due.

St. James exists in a kind of limbo, where the market has crept into the co-op through the conversion debate but hasn’t been allowed to have its way with the units.

Of late, the co-op appears to be in the eye of this storm. Graham noted that “things have been pretty quiet here at St. James regarding conversion” in part because some immediate, high-cost capital projects have raised their heads, among them a sinkhole in the parking lot. But actually addressing these challenges will continue to feed the embers of the conversion debate, as the co-op board considers how to fund the repairs. Subsidized financing from the city would mean a renewed commitment to Mitchell-Lama. A market-rate loan or funding the repairs through special assessments on shareholders would mean higher costs but greater flexibility on future conversion.

Until this possible future fades from the co-op’s discourse or the debate is suspended by a successful departure from the Mitchell-Lama program, the specter of an exit, and all that it means for different people, hovers. Wenna finds this specter in the relationships among “the leftovers” at St. James: “people don’t talk to each other; they don’t talk to me.” She was gearing up for her own fight against a renewed conversion campaign, but she would have to do it outside the formal governance arena she had hoped to enter. She recently lost in her campaign for a board seat, and the governing body remained firmly pro-conversion.

This was no matter for Wenna. “I can do more damage off the board than I can do on it; that’s me,” she stated. Asked about her strategy for forestalling the entry of another Mitchell-Lama cooperative into the wide-open market, Wenna described her approach simply:

“I’m going to kick ass.”



Figure 19: Southbridge Towers, 2014

Methodological Appendix

The issue of Mitchell-Lama conversion first came to my attention in 2014. In the lead up to the final conversion vote at Southbridge Towers, Charles Chawalko, a graduate student and resident of the co-op, contacted *Urban Omnibus*, an online magazine and my former employer. I went on to edit an article by Chawalko with his (very pro-Mitchell-Lama) perspective on the conversion. I tracked the developing story as Southbridge voted to convert, struck by the profit motive at hand and the loss of affordable housing. Three years later, I was reminded of Southbridge and Mitchell-Lama co-op conversions during a presentation by housing historian Adam Tanaka on Co-Op City, a massive Mitchell-Lama co-op which had just gone through its own minor flirtation with conversion.

As a strong believer in the importance of preserving affordable housing, my relationship to Mitchell-Lama conversion as a research subject has always been dynamic. In undertaking a qualitative, case study-based interrogation of the salient factors involved in cooperators' decision to vote for or against conversion, I committed to hearing out all cooperators, pro-Mitchell-Lama or pro-conversion. I explored my own opinions on the advisability of a conversion as a policy matter, particularly with regard to whether or not a large transfer of wealth to middle-income families might be a positive development, even if it occurred at the expense of affordable units. I aimed to maintain this commitment to faithfully hearing all arguments of the cooperators I interviewed and to exploring ideas beyond a strict imperative to preserve affordable housing.

As this thesis indicates, I did, however, come back to the ultimate benefit that preserving Mitchell-Lama provides. With that in mind, I hoped to glean a set of key findings from my research that engaged academic literatures and explored the nuanced ways cooperators approach the issue to also

develop recommendations for how to preserve Mitchell-Lama cooperative housing as affordable, limited-equity cooperatives.

This approach will likely be viewed by pro-conversion shareholders as biased—not as impartial research but rather as a long argument for Mitchell-Lama. Many shareholders presented in a less than favorable light might cry foul, though they are presented through their own words (unless they asked not to be), with significant context. Throughout my interviews I was asked, with suspicion, whether I was working for pro-Mitchell-Lama advocacy groups or a supervising agency. I was not. But I do hope one outcome from this research is more effective strategies on their part to keep co-ops in the program. In that sense, this research, and specifically the lessons presented in Chapter 8, does take a side.

However, I believe the methodology used over the course of the core research has maintained a rigor that guards against a disqualifying bias in favor of the preservation on affordable housing. Below I lay out the methodology used to approach the primary research questions of this work:

What affects individuals' decisions to prioritize collective over individual benefits?, and

When residents of cooperatively owned affordable housing have the agency to decide between maintaining affordability restrictions or benefitting financially by removing them, what factors influence their individual and collective decisions?

Case Study Approach

The primary methodology of this research is the use of two case studies of Mitchell-Lama co-ops that have decided, upon a vote of co-op members, either to remain in the subsidy program or to convert. The use of two diverging cases was meant to help discern the salient factors for their ultimately different outcomes. Given that the conversion process consists of three main votes, I considered a negative vote of the cooperative body at any point in this process a vote against a conversion for the purposes of selecting cases. Rather than select a co-op that had never gone to a vote as the case of a co-op remaining the program, I opted for one which had voted down conversion, as this presented a clear choice or opportunity where one might have otherwise not existed. In short, there may have been no debate and no real possibility to convert in those co-ops which never voted.

The lure of profit was the overwhelming narrative around Mitchell-Lama co-op conversion in the news and among many cooperators, when viewed from a surface-level. But rather than focus narrowly on how potential for profit based on the external market affected a conversion debate, I hoped to control for this profit motive by selecting a pair of cooperatives whose residents could have expected similar market outcomes had conversion occurred. And, given the need for new, non-subsidized financing to keep the co-ops afloat at the time of conversion or the possible lure of new subsidized financing from the city or state, I hoped to select a case pair whose debates had proceeded in similar interest rate environments as well.

I attempted to use the following criteria to choose the case pairs:

- Location: Ideally the paired developments would be geographically adjacent to control for the local real estate market and neighborhood-level demographic factors that may affect co-op dynamics. In the case that a pair could not be identified that meets this criterion (as well as the other criteria below), paired developments would be located in neighborhoods with similar real estate market characteristics at the time of their conversion votes.
- Timing: The paired developments would have pursued conversion votes within a similar frame of years during which the same regulatory regime for Mitchell-Lama developments prevailed, similar governmental incentives for remaining in the program were offered, and external capital and property market factors (interest rates, credit availability, property prices) were broadly alike.

After mapping the universe of possible cases (all cooperatives that converted and all remaining Mitchell-Lamas that had a conversion vote and for which the year of that vote could be ascertained as of December 2017), it became clear that there was no pair of cases that were in the same neighborhood with conversion votes occurring around the same time. Accordingly, a more complex approach to selecting a case was required that would pair developments in different neighborhoods with similar market environments at the time of their respective conversion votes.

To do this, I compiled data on (a) the sales price for a co-op share a cooperator could potentially expect upon sale (one incentive to convert) and (b) the prevailing interest rates at the time of the conversion vote that would indicate the cost of a new private mortgage on the cooperative or the value of subsidized financing, thus affecting the projected financials and cost to cooperators going forward.

Given geographic and time limitations, data across all the sources that follow were not available for each development. Many of the data sources are also not directly related to the specific housing type (some condo data vs. cooperative data) or the geography (national mortgage rate data based largely on single family homes vs. mortgage rates for co-op refinancing in New York), though by comparing the same data source to itself across two developments and assuming that the variation from year to year in the same data source would not differ significantly from the variation from year to year that one would see in data for co-ops specifically, the case pair used in this research was identified.

The data used include:

For Sales Prices

- Zillow Home Value Index Condo/Co-op Time Series (neighborhood-level for 2011 onward)
- NYU Furman Center Median Sales Price Per Unit for Condominiums (neighborhood level; sourced from New York City real estate transactions data)
- StreetEasy Median Sales Price for Co-ops (neighborhood-level, yearly average of monthly values for 2011 onward)
- Real Estate Board of New York Cooperative Sales Price per square foot as of Q4 for the given year (neighborhood-level)

For Mortgage Interest Rates

- FreddieMac National Primary Mortgage Market Survey for 30-Year Fixed Rate Mortgage Yearly Average (average of weekly rates)
- NYC Rent Guidelines Board Annual Mortgage Market Survey for New Mortgage for Rent-Stabilized Properties Yearly Average

- Zillow Jumbo 30-Year Fixed Mortgage Rates Yearly Average

After compiling the available data for the sources and pairing them with developments based on the year of their final conversion votes and their location, I generated a list of 12 possible pairings by filtering first by conversion votes close enough in time such that market environments would be similar and then also taking a second pass filtering by location. Only two developments that have converted (Southbridge Towers and Rivercross) were viable as possible matches, in part because many conversions occurred in weaker real estate markets relative to cases of failed conversions.

I split out these 12 possible case pairs with the data that both developments in a pair shared to compare across all data points, calculating an absolute difference between the development data across all of the pairs. I then determined the most closely comparable pair by minimizing differences in sales prices and the interest rate environments across metrics. This case selection process led me to choose Southbridge Towers and St. James Towers as the focus of this research.

Data Collection

This research was initially conceived as a mixed-method study, with the two case studies of Southbridge and St. James to be explored primarily through qualitative, semi-structured interviews and document review and larger trends across the entire universe of Mitchell-Lama cooperatives to be identified through quantitative, statistical analysis. Lack of success in obtaining the necessary data for that statistical analysis from the Mitchell-Lama supervising agencies—the city’s Department of Housing Preservation and Development and the state’s Department of Homes and Community Renewal—forestalled that quantitative path forward for the time being. Many of the avenues for future research identified at the end of Chapter 8 outline how such data might be used to shed

further light on the dynamics outlined within this research. This research is thus based on qualitative interviews and key document review.

Semi-Structured Interviews

I conducted the majority of the semi-structured interviews that underlie this work in person in January 2018 while living in New York City; necessary follow-ups or additional interviews took place on return visits or over the phone in February 2018. I aimed for a relatively equal shares of interviewees across the two case study developments and among pro-conversion and pro-Mitchell-Lama shareholders. Ultimately, I conducted 19 interviews, in addition to numerous background conversation off the record. In addition to cooperators at the two case developments outlined in the chart below, I interviewed two officials at the supervising agencies and the president of the citywide advocacy group Cooperators United for Mitchell-Lama.

Number of Interviewees	Pro-Conversion	Pro-Mitchell-Lama	Total
Southbridge Towers	5	5	10
St. James Towers	2	4	6
Total	7	9	16

My first approach to sampling for cooperator interviewees was to contact key informants on either side of the conversion debate. Through contacts like the Southbridge Towers cooperator I had worked with previously and advocates from Cooperators United for Mitchell-Lama, as well as review of news articles surrounding the two conversion campaigns, I was able to identify key leaders of the pro-conversion and pro-Mitchell-Lama sides in each development. Initial interviews with

these cooperators led me to their collaborators through introductions and the passing along of names.

In addition to the views of these cooperators deeply invested in the conversion debate, I hoped to hear from individuals with less solidified or at-one-time more malleable opinions on conversion. I accordingly began reaching out to cooperators involved in the social and community life of each co-op as seen through news articles, Facebook activity, board of directors rosters, and flyers distributed within the co-ops. I contacted these shareholders through email addresses and phone numbers found online, as well as through social media, such as Facebook and Twitter. To further attempt to expand the sample beyond deeply invested members of the co-ops, I downloaded phone book information for all buildings within the co-ops and cold-called cooperators, particularly at St. James Towers where I was able to interview fewer cooperators than at Southbridge. I further attempted to contact cooperators through key community institutions, such as churches, community development corporations, parent-teacher associations at local schools, and senior centers. In one case approached a cooperator at the coffee shop where he held court every day. I also attempted to contact former Southbridge shareholders who had sold their shares following the conversion, to no avail.

For each interview with cooperators, I used a similar questionnaire; over the first four interviews, the questionnaire remained in flux as I revised language based on how well the questions were understood in those interviews. The resultant questionnaire appears in Exhibit A to this appendix. Each interview lasted for approximately 45 minutes to one and a half hours. Most interviews were conducted in person and recorded; the limited number conducted over the phone were sometimes

recorded and other times simultaneously transcribed. I also took notes during each interview, and I added further field notes to those records following each interview.

Advocacy Materials Review

The many flyers, memos, newsletters, reports, and blog posts produced by Southbridge and St. James Towers residents over the course of their conversion debates is the other key source of qualitative interview material for this research. While I was able to access a number of blog posts through online searches and download that content directly, I had to solicit interviewees for access to their records from the debates to gain access to other materials. Pro-conversion and pro-Mitchell-Lama shareholders from both cooperatives provided me with these materials. Ultimately, cooperators at Southbridge distributed a much larger volume of flyers and the like than those from St. James. This differential is not surprising given the longer time frame of its conversion debate, though it did limit some insights into the conversion debate.

Data Analysis

To analyze these two forms of data, I had each interview recording professionally transcribed and, in the case that the advocacy materials were not already digital, scanned and ran text recognition software on all such materials. I then loaded this raw data into a qualitative data analysis software, NVivo, through which I coded all the data based on a set of codes developed based on a literature review, resultant hypotheses, and key dynamics and themes identified in the course of data collection. A copy of the codebook used to analyze these interviews and materials appears in Exhibit B to this appendix.

Following the coding of all the data, I exported each of the codes, reading over all pieces of data coded across different themes to identify trends across pro-conversion and pro-Mitchell-Lama shareholders and across developments, which are explored and interpreted within this thesis.

Research Limitations

While this study provides perhaps the most in-depth look at Mitchell-Lama conversion debates currently available, it suffers from a number of limitations that constrain generalizability and calls for considering the results with some caution. The lack of quantitative data that would allow for a wider analysis of variables correlated with co-op conversion is notably lacking, limiting the generalizability of the findings identified through the case study approach.

Within that approach, the sample of interviewees was relatively small, and prominent activists on both sides of the conversion debate may have an outsized role in the interview sample. These individuals have fairly solid opinions given their closeness to the issue; broadening the sample to include more individuals with opinions on conversion that were less hardened or sophisticated would allow for a clearer picture of the dynamics across the entirety of a cooperative body, rather than among those individuals with the position, time, and will to be heavily involved in cooperative governance and debates. Broadening the interview sample to include a wider range of shareholders with more varied associations with the cooperative in general and the conversion debate and cooperative governance in particular would significantly boost the reliability of the data and resultant conclusions.

Ultimately, I was able to collect more data on the Southbridge conversion debate than the debate at St. James, likely due to St. James's debate ongoing nature and Southbridge's longer debate. This may

skew my findings more toward the situation at the latter complex. Finally, Southbridge and St. James both have their unique qualities; other Mitchell-Lamas, based on their particular histories and environments, will undoubtedly have nuances to their conversion debates not reflected in this research.

Exhibit A: Interview Questionnaire

General Experience with the Cooperative

- How long have you and/or your family lived here? How did you come to move here and where did you move from?
- Could you tell me a story of an experience that to you represents what the cooperative is like as a community?
- In what ways do you participate in housing cooperative activities? Why did you decide to participate the way you do?
- How would you describe overall participation among shareholders in the cooperative as an organization?
- How are decisions about cooperative-wide matters made? What is the board of directors' role? What's your opinion of the decision-making process?
- Do you plan to stay in the development long term? Do you hope to sell your apartment?

Mitchell-Lama Buyout Debate

- What can you tell me about how and why this development was built? How did you learn about this?
- Can you tell me about the history of the debate and votes within the development around leaving the Mitchell-Lama program? Do any specific moments stand out to you?
- Were you actively involved in a campaign around any of these votes? Why did you feel moved to become involved? How did people respond to you?

- Where does this debate or campaign currently stand in the development?
- Who were the most vocal people in favor of leaving the program? Do you remember their argument for leaving? Did you trust that information?
- Who were the most vocal people against leaving the program? Do you remember their argument against leaving? Did you trust that information?
- Can you recall an example that illustrates the dynamics between opposing groups of cooperators?
- Do you think co-op members should be able to sell their units at full market price? Why or why not? How do you think other members of the cooperative think about this?
- Do you think that's in keeping with the original intention of the Mitchell-Lama program?
- Did you vote in favor of staying in or leaving Mitchell-Lama? Why?
- Did your perspective on the buyout change over the course of the campaign? If so, how and why? What arguments or actions of other shareholders affected your perspective?
- Do you think it was in your financial best interest to remain in the program or leave it? Why? If you chose to vote opposite this interest, why did you do so?
- What involvement did the property manager and/or other professionals have in the lead up to the vote? What effect do you think that had?
- What about New York State or New York City public officials?
- What effects do you think leaving the Mitchell-Lama program would have / has had?
- Have you perceived any differences in income, race, age, or other demographic characteristics between those who opposed the buyout vote and those who pushed it forward?

Thoughts on Affordable Housing and Role of the Cooperative

- Do you think living in this cooperative is different from other living situations? Why or why not?
- How has the community changed since the buyout votes? In the case of new people moving in, how has that affected the community?

- Do you recall meetings or events of the cooperative where the goal was education on what it means to live in a cooperative community?
- Do you think of this development as “affordable housing”? Why or why not? How do you think other members of the cooperative think about this?
- Do you think it is important for government to provide affordable housing for middle-income individuals? Why or why not? How do you think other members of the cooperative think about this? What about housing for low-income individuals?
- How do/did you feel about having to report your income and other information to New York State or New York City because of the cooperative’s place in the Mitchell-Lama program? How do you think other members of the cooperative think about this?
- How do/did you feel about those members with income over the program’s threshold being required to pay a surcharge? How do you think other members of the cooperative think about this?
- Do you think the best decision for you is the same or different as the best decision for the cooperative? What about for the neighborhood, the city, and other New Yorkers?

Closing Questions

1. Is there anything else you think I should know? What else should I have asked about that I haven’t?
2. Is there anyone that you recommend that I speak with about this? Someone with similar, different, or ambiguous views on the buyout from your development?
3. Do you have any materials that you could pass along (financials, red herring, black book, advocacy flyers, financials)?
4. Are there any upcoming meetings at the cooperative that it would be possible to attend

Exhibit B: Data Analysis Codebook

1. Community and Co-op Activities

- a. Moments of Unity
- b. Moments of Disunity
- c. Pre-Buyout Votes
- d. Post-Buyout Votes
- e. Types of Community Interaction
- f. Education on Cooperative History / Ideals
- g. Cooperative living as distinct from other forms of housing
- h. Frequency of seeing one another
- i. Contention over physical space

2. Feelings of Ownership

- a. View of limited equity as full or partial ownership
- b. Full equity ownership as fulfillment of “American Dream”
- c. Full equity ownership as in line with capitalist system
- d. Ownership as constructed by ability to profit from asset

3. Perspective on Government Supervision

- a. Supervising agency as Paternalistic & Coercive vs. Steward & Protector
- b. Supervising agency as Inept or Neglectful
- c. Government supervision as Undesirable in and of itself
- d. Supervising agency as Infringing on Self Governance
- e. Opinion of how appealing of incentives to stay in program are
- f. Public official involvement

4. Cooperative Governance & Participation

- a. Cooperative Governance as Inept
- b. Cooperative Governance as Corrupt
- c. Cooperative Governance as Representative / Democratic or Unrepresentative / Undemocratic
- d. Forms and frequency of cooperator participation
- e. Buyout debate as inhibiting proper management / governance in other spheres
- f. Size of co-op as hindrance to participation / interaction
- g. Capital repairs as decision factor on government financing
- h. Cooperators skirting the rules

5. Arguments for Buyout

- a. Rights-based
- b. Should benefit from the valuable neighborhood created / pioneers

- c. Profit / Exclusively monetary
- d. Succession / asset to leave for family
- e. Negative view of subsidized housing
- f. Wrong people moving in (race/class)
- g. Comparison to profit of other real estate owners – why not us too?
- h. Manage expense of the city, the changing neighborhood, life needs
- i. If we don’t take advantage someone else will
- j. Otherwise locked out of wealth gain due to discrimination
- k. Self-governance / self-determination
- l. Inspiration of other co-ops
- m. Part of the deal / expectation of this from the outset
- n. Desire for a fancier building

6. Arguments against Buyout

- a. Values-based - already benefitted from affordability
- b. Values-based - Leave the door open for others / Empathy
- c. Risk-averse / Anti-change
- d. Where would I go? / Have no intention of leaving
- e. Better financial decision
- f. Outside real estate environment as discriminatory
- g. Against the intention of the program / buyout never meant to include co-ops
- h. Gentrification of surrounding neighborhood

7. Opinion on buyout as determined in part by

- a. Age
- b. Race / Ethnicity
- c. Income / Wealth
- d. Term of residency
- e. Generation of residency

8. Motivation for involvement in buyout debate

9. Reason for change in perspective on buyout

10. Decision based on whose benefit

- a. Voting against own financial interest
- b. Best decision for whole co-op
- c. Best decision for the neighborhood/city

11. Perspective on affordable housing

- a. Belief in government’s role providing affordable housing in theory
- b. Questioning who should bear the “cost” of providing affordable housing
- c. Negative view of people or place of affordable housing
- d. Opinion of the Mitchell-Lama program in general

12. **Understanding of History of the Cooperative / Mitchell-Lama program**
13. **Role of or perspective on outside advisors / advocacy organizations**
14. **Understanding / empathizing with views of the opposing side**
15. **Dynamics between opposing groups**
 - a. Characterizations of Pro ML
 - b. Characterizations of Pro Privatization

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