A MANAGEMENT PLAN FOR TENT CITY'S LEASED-COOPERATIVE HOUSING DEVELOPMENT

by

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Submitted to the Department of Urban Studies and Planning
on May 20, 1981 in partial fulfillment of the
requirements for the Degree of Master of Art in
City Planning

ABSTRACT

This is a client-oriented thesis intended for the Tent City Corporation's use in developing leased cooperative housing in Boston's South End.

The purpose of the thesis is to serve as a planning tool for determining the management of the 270-unit cooperative. The development of which is being negotiated between my client and the principle owner of the construction site-The Fitzgerald Family.

There has been a history of conflict between Tent City Corporation and the Fitzgeralds in negotiating the site's development. But, in their efforts to reach agreement on the development of the housing, issues of physical design and financing have been negotiated. While there is further need for discussions, regarding the management of the housing, this need is attended to, by using this thesis, as a negotiating tool.

Thesis Supervisor: Professor Tunney Lee

Title: Professor of Architecture and Planning

ACKNOWNEDGEMENTS

This thesis was completed with the guidence, direction and assistance of a community. The members of the community have shared their resources and insight with me as this thesis has been developed. They have share their technical expertise and life experiences with me in the pursuit of bettering the quality of life in Boston and worldwide.

Among the many members of my supportive community are: My family, Wendy, D.J. and Danny, Mel King, Libby Seifel, Lisa Peattie, Don Schon, The Association of First World Planners (AFWP), Margaret, Joanne, Laureene, Ben, C.C., my thesis advisor- Professor Tunney Lee, (whom I admire for his expertise and realism), and Jesse Riecheck- my special friend.

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INTRODUCTION

This thesis intends to demonstrate that Tent City Corporation's proposal for a leased-cooperative housing development can be well-managed; if it is properly planned and utilizes a phasing process in transforming.

In the thesis , Tent City's background and organizational growth is discussed; the development program is outlined and described; optional management structures are compared, and finally, the most appropriate management plan for Tent City's use is recommended for implementation.

These discussions, hopefully, will demonstrate the feasibility of the proposed development in terms of its ability to be properly managed.

Chapter 1

Tent City Background

1.1 Introduction;

Tent City Corporation, unlike many other community [illegible] organizations, originated from [illegible] community activities, specifically relating to the development of decent and affordable housing in Boston's South End neighborhood.

The Tent City Site, (also known as parcels 11A and 11B) is the most visible gateway to the South End from Copley Square. "Diagonally across from historic Back Bay Station, the 3.3 acre site was the first block in the area to be developed as housing for Black railroad workers in the nineteenth century".[1] The acquisition and demolition of most of its townhouses in the early days of urban renewal displaced almost all the occupants and paved the way for the Fitz-Inn commercial parking lot.

In 1968, the site became the scene of a protest, by South End community residents, of the displacement effects of the 1965 Urban Renewal Plan. Since then, the South End residents have developed the Tent City Corporation, an organization to protect and satisfy the housing needs of South End residents.

In viewing the circumstances behind Tent City Corporation's existence, this chapter:

a) describes the 1965 Urban Renewal Plan's displacement effects on South End Residents,

b) charts the organizational growth of Tent City and

c) describes Tent City Corporation's current status in its pursuit of securing decent and affordable housing for South End residents.

1.2 Description of the 1965 Urban Renewal Plan's Displacement Affects on South End Residents:

In 1965, Boston became one of America's "number one" priorities for neighborhood development. But, the Urban Renewal Plan, as developed for Boston, had the effects of displacing thousands of South End residents, and prompting community protest and organization against displacement. These effects were largely generated by the Boston Redevelopment Authority's (BRA) plans for development in Boston in 1965.

The adoption of the plan was not thought to cause more than minimal displacement, or jeopardize the maintenance of the social and economic composition of South End neighborhoods. But the BRA's speculation on these issues prompted their committment to provide "adequate facilities" for anybody who wished to stay in the South End.

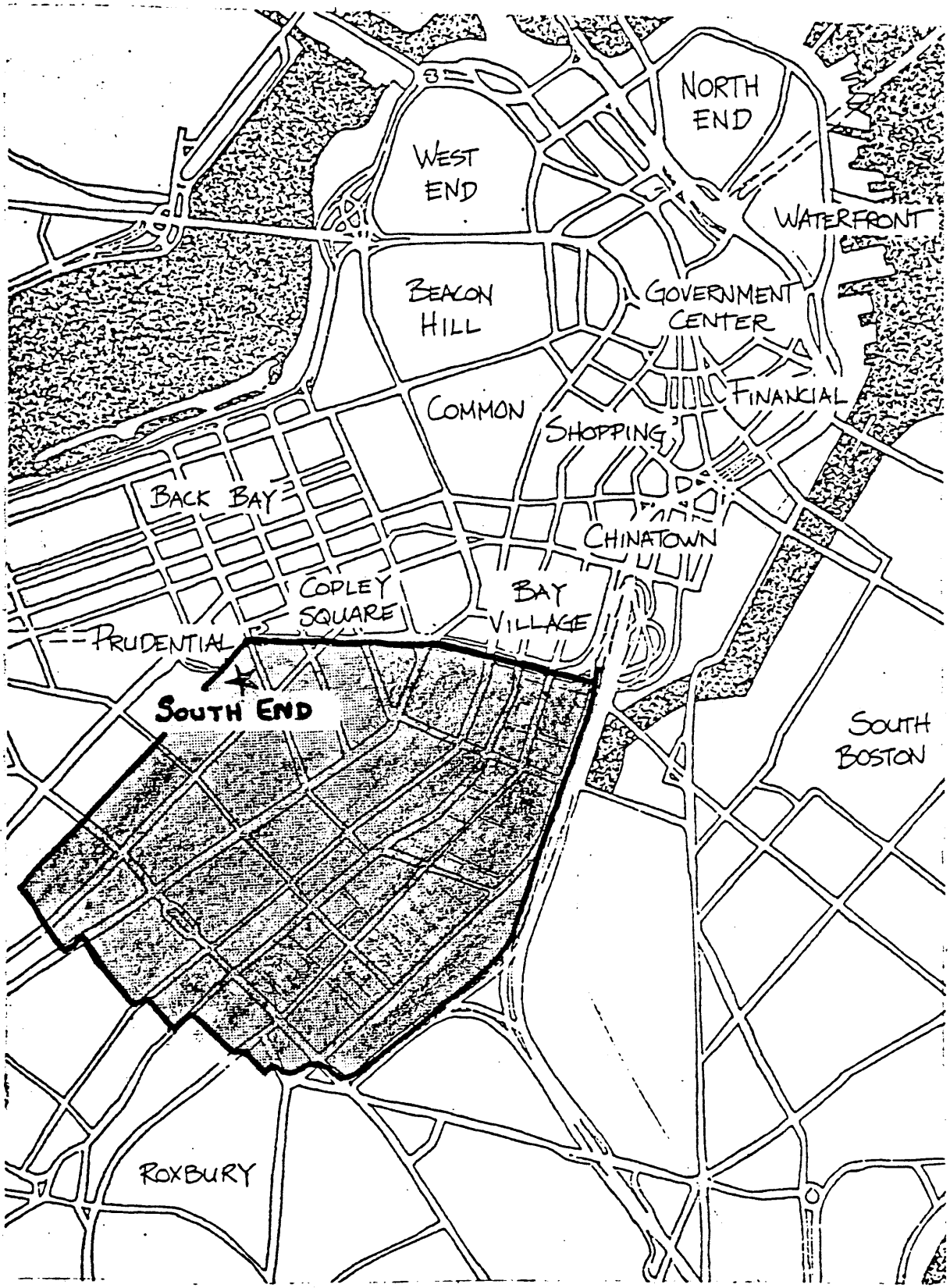
On this basis, the plan was given neighborhood-wide approval. The plan encompassed what is termed as "The South End Proposed Project Area" (see map #1). In 1961, the head of the BRA, Mr. Edward Logue, presented a 90 million-dollar development program for Boston. "The program called for physical improvements of ten (10) renewal and six (6) improvement areas, encompassing more than a quarter of the city".[1]

The goal was to stop the out-migration of Boston's middle class. Its intent was to maintain "stability" in population changes, to physically upgrade the South End community, while maintaining it as an economically, socially and racially integrated community; accessible to the residents living there at the time of the renewal planning.

The plan provided for site clearance, relocation-housing, development of subsidized housing, rehabilitation and infrastructure improvements.

This allowed for the public transportation system to be improved and each neighborhood to be targeted for an intensive housing refurbishment.

Map 1. South End Neighborhood of Boston



In addition, the city authorities implemented land acquisition and demolition projects.

In effect, these "developments" encouraged the city's wealthier out-migrants to return to the cith and seek housing; particularly in the South End. These former residents tended to be white collar, professional, primarily white households. Their return to the city encouraged the development of luxury apartments, and gave furthur incentive for other people of upper-middle and high income to migrate to the South End.

As their migration increased, so did the demand for rehavilitated townhouses. This caused real estate values to increase, bringing about rising construction costs, property taxes, maintenance and utility costs. Thsu, these factors generally restricted home ownership and rental opportunities to high-income households. And, because of this, many of the South End's low and moderate-income residents were forced out of their homes and communities.

Mainly elderly, working-class families and "people of color" remained in the South End, often living in cultural and ethnic enclaves. Presumably, the 1965 Urban Renewal Plan, and the development of luxury housing may have been advantageous for Boston's economy, but most assuredly, they proved to encourage the displacement of thousands of existing South End residents. The South End residents ' resistance to these developments are described in the following section.

1.3 Protest and Organization Against Displacement:

Because of the effects of the Urban Renewal Plan, South End residents organized themselves to stop continued displacement. In 1965, several hundred South End residents pitched tents and camped out for four days on Urban Renewal Parcels 11A and 11B to protest the

displacement of themselves and their neighbors.

In effect, these residents (who were representative of the South End in terms of race, income and ages) created a "tent city", symbolic of their dream for a revitalized, yet integrated development.

They had hoped that the residential character of the site would be restored; and that new housing could be constructed and made available, on a first priority basis to long-time South End residents who have faced displacement from their homes. In addition, they hoped that a residential community could be created in scale and character with the surrounding brick Victorian townhouses; and that residents of various income, ethnic, racial and age groups could live on the site in an integrated development.

In turn, local Urban Renewal Review Committees formed to review the plans for redevelopment. The BRA proceeded with a neighborhood -wide planning efford that included sixteen neighborhood organizations. Representatives from the organizations were added to the Renewal Committee, and progress was made toward the formulation of the area plan.

1.4 The Pursuit of Securing Housing:

The goals of the Tent City protestors were shared by the Community Assembly for a United South End (CAUSE), one of the organizations represented on the plan review committee. Over the years, these goals were passed down to the South End Project Area Committee (SEPAC), the elected Urban Renewal Review Board, and to its subcommittee, the Tent City Task Force (TCTF).

Members of the Task Force first came together in 1974 to review initial Boston Redevelopment Authority (BRA) site redevelopment plans and to seek participation in the process.

The Tent City Task Force is comprised of residents and abutters of the site and adjacent South End neighborhoods. Its goals are 1) securing housing in the South End that meets their community's housing need; 2) restoring the

residential character of the South End; 3) constructing new housing made available on a first-priority basis to long time South End residents who have faced displacement form their homes; 4) creating a residential community, consistent in scale and character with the surrounding brick Victorian townhouses; 5) making it possible for residents of various income, ethnic, racial and age groups to live on the 11B site once again in an integrated development (reflecting the diversity of the overall South End population).

The Task Force was incorporated under a chapter 180 with non-profit status in the spring of 1979. It has worked to become a community based partner of an experienced housing developer to secure housing for South End residents. Under the Corporation status, the Task Force defines its development objectives as the following:

1) to reach agreement with the development partner over the sharing of decision making, assigning of responsibilities over the various development tasks, and the sharing or reinvesting in the project of the ultimate syndication proceeds and profits;
2) to plan and negotiate with the development partner in developing the design, financing plan, tenant/owner mix, and hiring plans essential to the accomplishment of the goals;
3) to use private funding to make it possible to accomplish objectives 1 and 2 above, with the result that a) the project will more closely meet the needs of the community and therefore be a successful project and b) a fair share of the proceeds of the project can be used to contribute to the feasibility of a mixed income development and pay for some of the needed amenities;
4) to provide continual outreach to neighborhood residents including soliciting input during design phases, providing communications on progress, coordinating training and employment of South Enders during construction, and initiating a resident selection process;

5) to establish and/or maintain good working relationships with SEPAC, United South End Settlements, United South End/Lower Roxbury Development Corporation, Tenant Development Corporation, Inquilinos Boricuas en Accion, local churches and other community development groups to attain the above objectives;

6) to maintain continued communication with all involved public agencies at city, state and federal levels to insure continued support of the project.

The Task Force also generated a set of development principles that were to be used as a basis for developing Tent City housing and maintaining Task Force goals. The principles were termed "The Fundamental Principles of Development", and are outlined as follows:

1) a development plan that creates mixed-income housing with units available to families, elderly persons and single individuals;

2) a design concept that stresses the components necessary to achieve a secure, viable and socially integrated development;

3) the provision of homeownership opportunities for prospective residents, especially those of moderate income;

4) a site plan that is sensitive to the surrounding environment and reflects the architectural character of the South End town-house.

5) Participation of community residents in the development and the reinvestment of a major portion of syndication proceeds.

The Task Force then sought technical advice from MIT's Total Studio (a graduate-level architectural and planning workshop which assists community groups in solving specific problems).

The Studio had demonstrated through a final report "that the Task Force's goals were realistic, and provided with the proper combination of funding programs and support of public agencies could become a reality"[1]

As the Task Force grew, during the spring of 1979, a fund raising committee formed and obtained a contribution from neighboring Trinity and Old South Churches. This allowed the Task Force to retain a project manager, and several professional consultants, including architects, planners and attorneys to assist in the preparation of a preliminary development package for the Tent City site.

The Task Force realized that "the only way they could achieve their goals was to form a partnership with an experienced and financially established private developer, and request co-developer designation by the BRA." From this realization, the Tent City Corporation was born.

In 1979, the Task Force was incorporated under a chapter 180 with non-profit status. Since then, it worked to become a community-based partner of Macomber Development Associates/Housing Associates and Goody/ Clancy Architectural Firm. In effect, this partnership is identified as Tent City Associates.

To select the development partners for the Tent City site, the Task Force formed a "developer-selection committee". The committee interviewed eight developers in Boston and selected the development partners as having the best partnership arrangements, and being the most qualified to undertake the project.

"A preliminary Memborandum of Agreement was signed on October 4, 1979, which provided for 1) a negotiation period before the signing of a joint-venture agreement; 2) the intention of the two negotiating parties to seek sole-source designation from the BRA as co-developers of the Tent City site; and 3) the adoption of Fundamental Development Principles (as amended) for the site, drafted in 1974, and revised in 1978 by the Tent City Task Force".[1]

In Tent City Corporation's efforts to develop the site, Tent City Associates (the development arm of TCC) submitted many physical design

plans to the BRA for approval, but were rejected. The Fitzgerald Family also submitted plans, and were rejected.

Tent City Corporation and the Fitzgerald Family both had competed against each other in submitting their development proposals. Both have been continuously rejected, due to their exclusion of each others interests or goals. The original (initial) proposals for development of the site seemed to overly emphasize the exclusion of the joint-interest of both the Fitzgerald Family and Tent City. Rather, each group's respective interests were promoted in their design proposals.

Since the advent of urban renewal, the BRA had been committed to taking site control of Tent City by eminent domain. The Authority, however, began reconsidering their position when the major landowner on the site, the Fitzgerald Family, became interested in participating in its redevelopment. Rather than initiate a land-taking, the BRA granted the Fitzgerald Family a trial period to prepare a feasible development proposal for the site (due December, 1979). The BRA requested that the proposals conform to the redevelopment guidelines for the site developed initially by the Tent City Task Force and that the Fitzgeralds find suitable partners experienced in housing development to ensure achievement of their plans.

In mid-February, after Tent City Associates and the Fitzgerald team (Dartmouth Crossing Associates) submitted competitive proposals to the BRA. Rather than choose between the two plans and teams, the BRA requested that the parties begin negotiations toward formation of a joint-ventureship to undertake the Tent City development.

The BRA found that the use of an independent convenor to be necessary in determining the feasibility of the joint-ventureship.

In December 1980, "a joint-venture team, consisting of the Tent City Corporation and Fitzgerald Family was granted developer designation of

the site".[1] This allowed them to operate, in the development, as general partners.

The organizational growth of Tent City, at this point, may be charted as indicated by diagram #1.

Following this designation, the parties have been negotiating issues concerning with the development of the leased cooperative housing development. Particularly, these issues have been:

a) the physical design,

b) finance plan and

c) management.

Of these issues, there is a need for further discussions on management of the housing development. This need will hopefully be satisfied through this thesis.

The next section describes Tent City Associates' development program, consisting of the physical design and finance plans. And, for the purpose of aiding the negotiations on management, the succeeding chapters discuss the "Planning of Management".

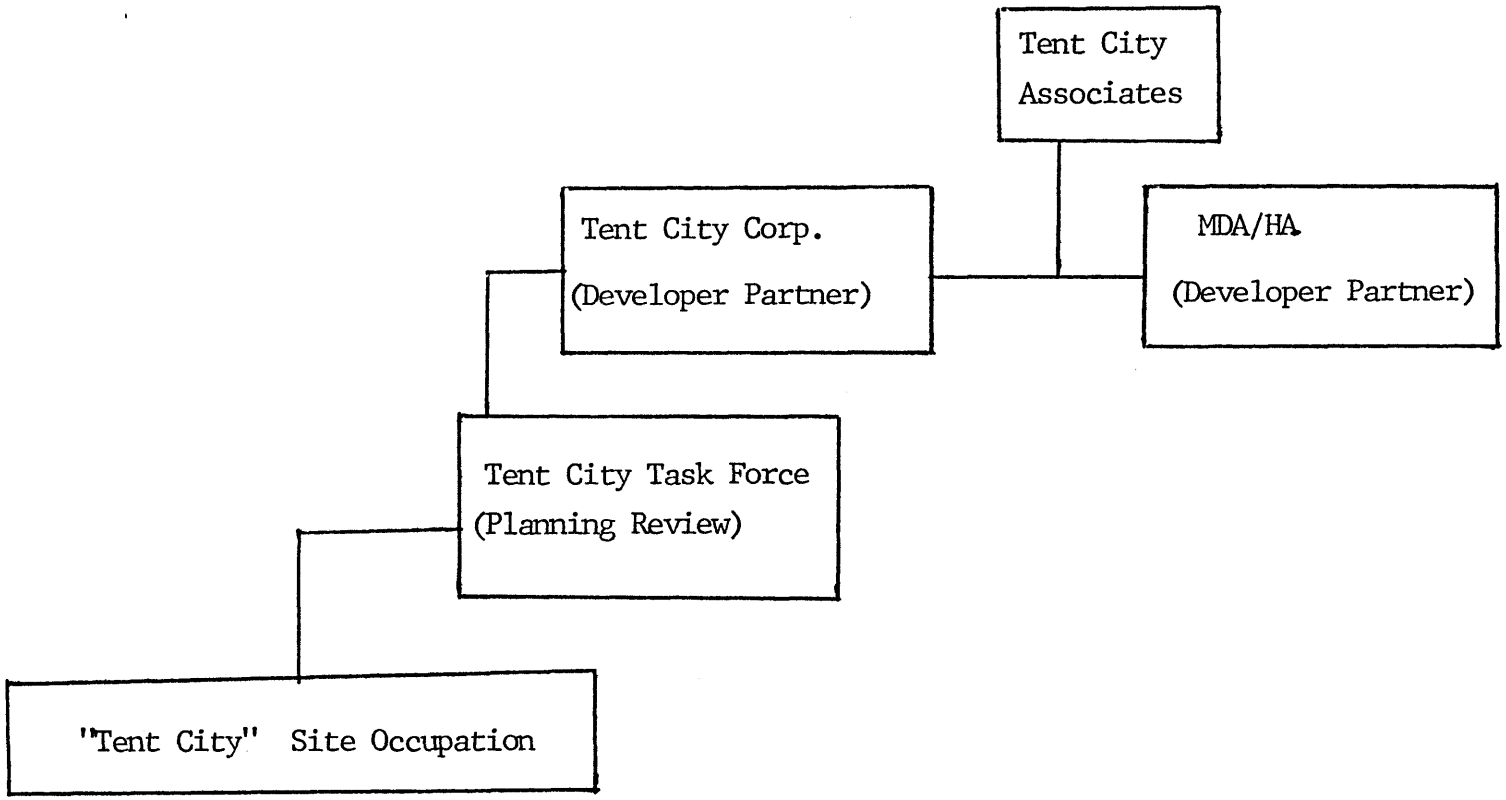
1.5 Tent City Associates Design Program:

Part One: The Physical Plan

The development proposal submitted by Tent City Corporation calls for 270 units of mixed-income housing in scale and character with the surrounding South End neighborhood. The plans give careful attention to the location of dwelling units, open space, and circulation paths, with special consideration to the needs of the elderly, handicapped, and children. The guidelines are:

1. Tent City housing must be affordable to South End residents. Twenty-five percent (25%) of the units will be available to those of low income. Fifty percent (50%) will be available to South End working families

diag.1 Organizational growth of Tent City



and individuals who will not pay more than 25% of their income for housing; and 25% of the units will be available at market level rents.

2. There will be a mixture of tenancy and home ownership by cooperative agreement. Each cooperator will own stock in the corporation and will be entitled to a share in all decision making and in the financial returns of the project.

3. Current and former South End residents shall have priority for occupancy on the site. The residential population will reflect the racial and ethnic mix of the South End.

4. All existing housing on the site shall remain and present owners should be given assistance to rehabilitate their property. Buildings owned by the Boston Redevelopment Authority (BRA) should be returned to private ownership with former owners and present tenants given first option to buy. South End residents and former displaced residents shall be given second priority for ownership.

5. The development shall include a strong management and marketing capability with proven ability. There will be community control over the tenant selection process.

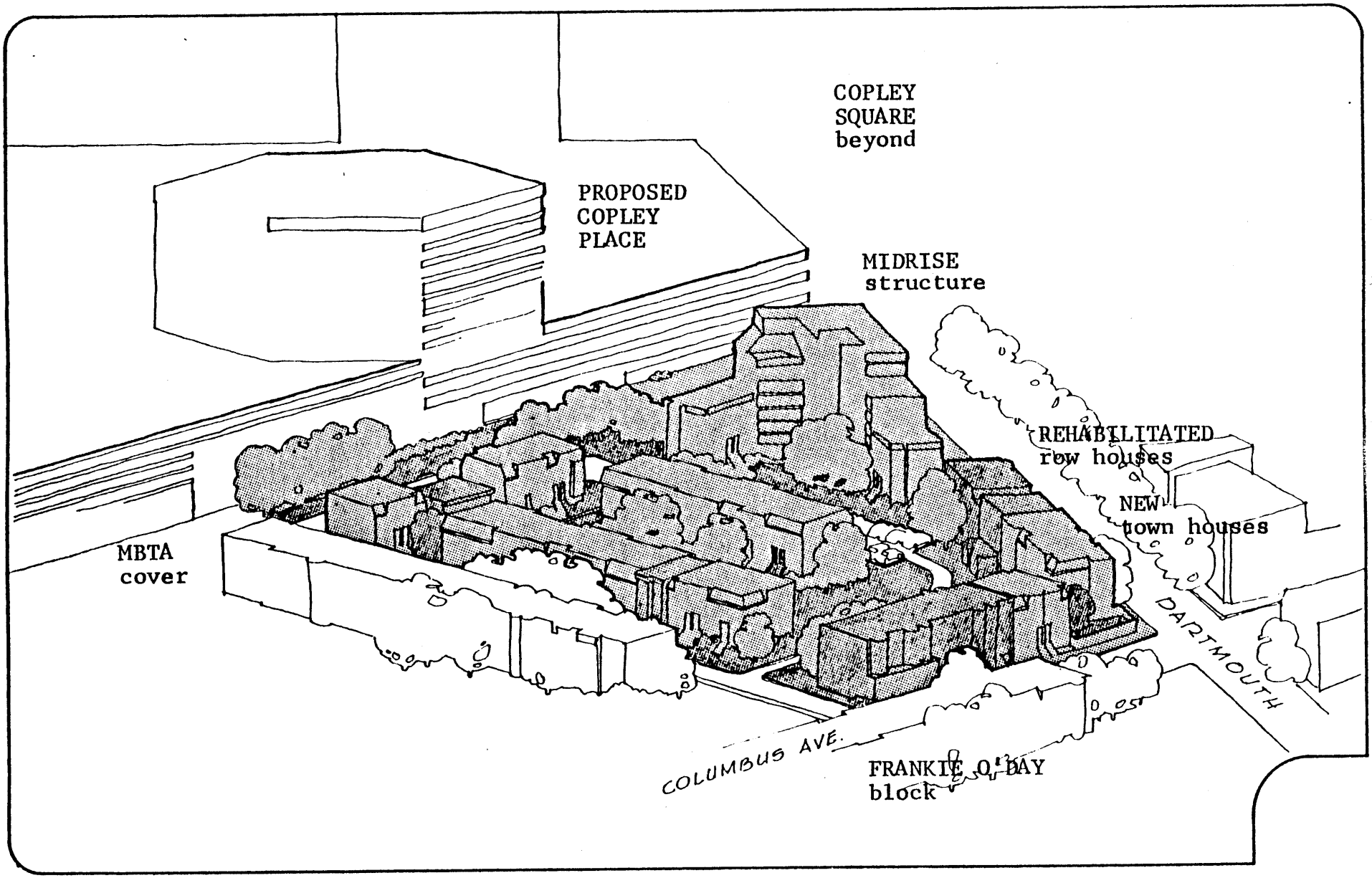
6. To ensure a high level of services, one third of the profits from syndication will be retained for operating and management cost increases.

7. One hundred percent (100%) of all laborers' jobs and 50% of all skilled jobs shall be filled by community residents.

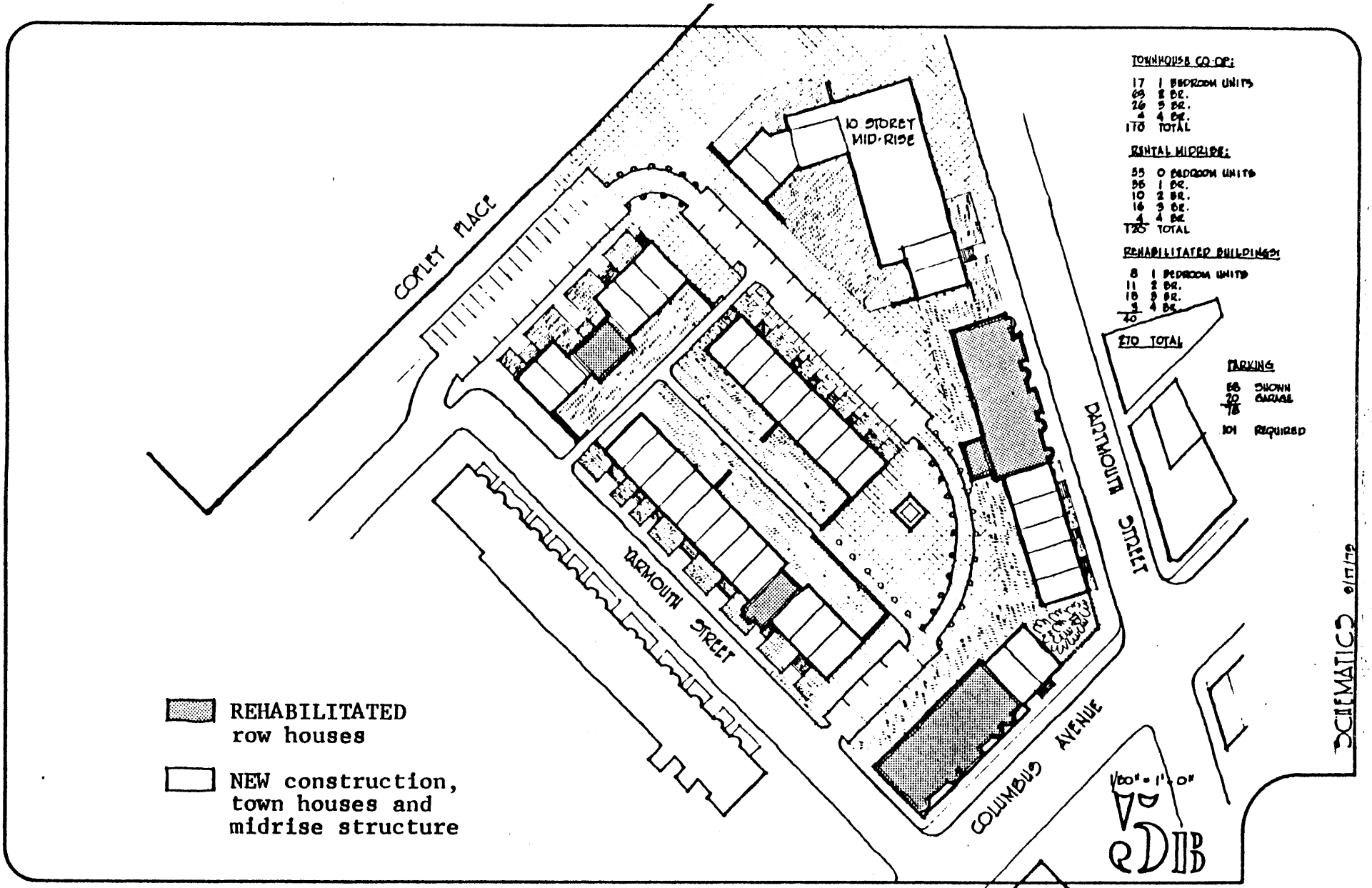
This proposal is reflected in the following physical design;(see next page).

The proposed plan is to be developed in phases, and integrated in terms of race and income.

"The design fosters a sense of community and avoids isolating residents from each other and from the larger South End neighborhood. The placement of buildings was considered carefully to reinforce natural patterns of



PRELIMINARY DESIGN for the TENT CITY SITE
(South End Urban Renewal parcels 11A and 11B)



PRELIMINARY DESIGN for the TENT CITY SITE
(South End Urban Renewal parcels 11A and 11B)

interaction of prospective residents. One internal street runs through the middle of the site to create a circulation pattern enhancing so-called defensible space, space naturally policed by residents who overlook and traverse what could be dangerous and neglected areas. In addition, the design avoids the disturbing anonymity of many multifamily developments with unbroken facades. Instead single entrances for three to five units will face onto internal roads and to adjacent open space, reflecting the surrounding rowhouse architecture. Only the midrise building, with a high density of small bedroom units has a single entrance way and elevator lobby. Design elements such as green houses, porches and garden spaces have been suggested to enliven the site and offer residents alternative living arrangements. Extensive research has also begun on the use of alternative energy sources and on conservation techniques to reduce the utility and fuel bills of prospective residents. The design can already accommodate a 30% reduction in water heating costs through the use of passive solar energy. Discussions with professionals familiar with the potential of active solar energy have suggested that collectors may be appropriate on the midrise building to further reduce energy requirements. A heat pump, extracting energy from the ground water, may also be a realistic energy generator".[1]

The specifications of bedroom-mix are included under item b6 of the following finance plan.

Part Two: Finance Plan

The proposed financed plan, (located in appendix #1), like the physical design, has been discussed in the negotiations. The intent of the plan is to make the housing development affordable, to South End residents, meet the requirements of federal and state funding agencies, such as the Department of Housing and Urban Development (HUD) and the Massachusetts Housing Finance Association (MHFA), and able to be owned by the future

residents within a limited period of time.

It includes the use of a number ofsubsidy programs and private capital investments that will serve to develop the leased cooperative.

The plan also enables TCA to act as a "limited dividend entity" in developing the site, and net-lease its interests in the housing to a cooperative association of the residents. This allows the development to be re-financed through the residents equity appreciation. Thus, residents may gain the ownership of the cooperative within a five to twenty-year period, as well as become prepared to fully manage the cooperative within this time frame.

With proper phasing of management operations, residents can gradually increase their financial base, which will in turn allow them to contribute to the purchase of their individual unit. And, at the point in which the cooperative receives non-profit corporate status, the finance plan makes it possible for residents to take advantage of certain tax benefits while building up their equity into the co-op.

But, in order for residents to take full advantage of all aspects of the finance plan, they must fulfill all responsibilities in management that are initially fulled by the owners of the development. And to attain full management, the residents responsibilities must be phased-into management operations while that of the general partners is simultaneously phased-out.

This management phasing process is discussed in the following chapter.

Chapter 2

Management Planning

2.1 Introduction:

This chapter is concerned with the planning of management operations for the proposed housing development. It's intent is to provide Tent City Corporation, my client, with the opportunity to negotiate management issues with their development partners, the Fitzgerald Family.

It discusses the interests of the investors in the project's development and describes their influence in determining the use of a "leased/co-op". The description includes brief discussions on:

a) the nature of the limited partnership

b) the general partnership arrangements

c) the concept of the leased and traditional cooperatives.

In effect, this chapter will acquaint the Tent City Corporation with the responsibilities that are entailed in managing the development.

Admittedly, the interests and responsibilities are many, but nonetheless, this thesis, I hope, will demonstrate that they can be satisfied.

2.2 The Interests of the Investors:

The investors in the project's development are the limited partners, general partners and the developers. The limited partners are various individuals who invest capital in the financing of the projects development. The general partners invest both capital and management skills in the project's development and management. And the developers invest capital and design/construction skills into the project.

Each of these investors have the interest of having their investments returned. That is, the limited partners have a five to twenty year period. Of the general partners, the Fitzgerald's development team have the primary interests of having their financial investments returned

and making profit. On the other hand, the Tent City Corporation development team have social concerns. They are primarily interested in providing decent and affordable housing for South End residents.

Though the development teams are split between financial and social interests, their partnership arrangements establish a basis for compromise in the satisfaction of interests.

2.3 Partnership Arrangements:

The limited partnership arrangement provides for the interests of the limited partners to be satisfied. Together, the limited and general partners form a partnership that allow both of them to contribute capital in return for ownership of stock through depreciation write-offs.

As the investors want to insure that the project's mortgage payments are met, so that the development doesn't fall into default, they oversee the initial management operations of the project.

Use of legal arrangements between the limited and general partners (contemplated for Tent City) grants control to the residents through a management structure, over the housing development's operation. And only in the event that there is a financial crisis will the limited partners intervene in management operations.

Thus, the general partners act as the entity that the management structure is held accountable to.

2.4 The Leased Cooperative:

The Leased Cooperative is an economic and legal arrangement by which over time, the residents acquire title to the development. Leasing arrangements are therefore designed to help residents, eventually, own and manage the housing development. The Leasing Cooperative can, thus be considered, as a transition to resident-ownership and management.

The transition period is divided into two stages. In the first stage, residents buy into the coop and rent shares of stock in the corporation. Initially, the Leased Coop is owned jointly by the General Partners (Tent City Associates, Dartmouth Crossing Associates, and Macomber Development/Housing Associates), and the Limited Partners (private investors).

In the second stage, the syndication proceeds are used up (within 5 - 20 years) and the Limited Partners will terminate their involvement and turn over the title to the resident corporation. At this point, the Leased Coop becomes a "traditional" coop, granting the resident corporation exclusive collective ownership and control.

2.5 The General Concept of a "Traditional" Cooperative:

The concept of cooperative living is not a new concept. It is an ancient concept of people sharing their resources with each other for the attainment and/or maintenance of a particular life style.

This concept is still in use in today's "modern" society. And, oftentimes, the cooperative is realized through the use of corporate status. The cooperative corporation is thus a business mechanism designed to facilitate the particular life style desired.

The people who operate cooperative are also the clients of the corporation. In this sense, the operators are their own bosses in the process of sharing their resources. In doing so, the bosses manage their operation as well as own (eventually) what they manage.

The fundamental belief behind the concept of Tent City's Housing Development is that the residents should, eventually, own and manage the housing. Within this belief, is the idea that upon agreement with the Limited Partners, the General Partners would act as a corporation and own and manage the housing development; and the residents would buy the

development from the General Partners through refinancing, i.e. purchasing stock from the corporation. Also, in the process of refinancing, the residents would form a Resident Corporation Board that would facilitate stock transactions, accept the role of coordinating management responsibilities,etc. This Board would operate under non-profit corporate status. In effect, through the Resident Corporation, the residents will act as their own bosses in management, fulfilling all management responsibilities. In this mannier, they would be demonstrating the operation of a "traditional" cooperative.

2.6 The Necessity of Phasing:

For the leased cooperative to become a traditional coop, it is necessary that there be a "phasing-in" of resident-participation in management operations of the development. This process will allow the residents to gain the necessary skills to fully manage the coop. as well as provide for financial operations (particularly syndication) to be satisfactorily completed.

Thus, phasing encourages the transition to resident-management. ""Management-phasing" as described in the next chapter, is geared to acquaint Tent City Corporation with the responsibilities in management that must be fulfilled to successfully manage the development.

The specific cooperative management operations which are eventually implemented by the Resident Corporation Board should be determined by that Board. For only they can decide how they wish to live. Yet, resident-management should always include the necessary management operations of phases I thru IV .

Chapter 3

Management Phasing

3.1 Introduction:

When the transition from a leased-cooperative to a traditional cooperative is completed, the Tent City Resident Corporation will exclusively own and control the Tent City Cooperative Corporation. This will occur when the Limited Partners withdraw at the end of the 5 - 20 years syndication process. In the interim, the Tent City Corporation Board, comprised of community representatives, and elected cooperative residents, may represent the cooperative as a co-general partner in the development entity.

The Tent City Resident Corporation must, eventually, assume exclusive control. And it is important that the residents are involved in the early stages. In this way, responsibility among residents and the emergence of competent Resident Board members can be facilitated. This will be a difficult process because many potential residents have never lived cooperatively nor managed a cooperative life style.

But the process of transition can occur smoothly with proper phasing of management operations. By allowing management operations to be fulfilled in stages, the management structure (which facilitates management operations), along with the General Partners and residents, can sucessfully fulfill all responsibilities. Then, the resident-owned and managed coop can be realized.

Thus, this chapter outlines and describes the phase of management operations. It's intent is to provide insight into the responsibilities that are entailed in sucessfully managing the housing development, and facilitating the transition to resident-controlled management.

This chapter contains five sections which discuss the operations of each phase of operations. The sections are:

A) Planning: Phase I

B) Rent-Up: Phase II

C) Initial Operations: Phase III

D) Formation of Resident Corporation: Phase IV

E) Resident Management: Phase V

These phases of management operations will occur as outlined and described in the following sections.

3.2 Planning: Phase I

This phase establishes the management responsibilities that are to be fulfilled in the operations of the development. It is a period of time in which the General Partners will have the responsibilities of selecting the management structure that will assist them in facilitating management; and determining the responsibilities that the structure will have in management operations.

The management structure is the principle machanism by which management operations are facilitated. The structure can be a private individual (who acts as a consultant), a member of a public agency (e.g. MHFA) or the Archdioceses planning office, etc.

In determining the responsibilities of the management structure, the General Partners should include the following management-structure responsibilities:

a) To develop the necessary relationship with the developer and architect that will ensure efficient transition throughout the planning phase;

b) To ensure the clear understanding of the goals for the resident-managed cooperative;

c) To assist the architect and developer with the physical design.;

d) To develop criteria for resident-selection.

e) To facilitate marketing and publicity.

f) To establish the terms of the occupancy agreement, lease provisions and rental schedule. (see appendix #2)

g) To develop a "members' handbook" regarding the leased-coop.

The essentials of the handbook include the following:

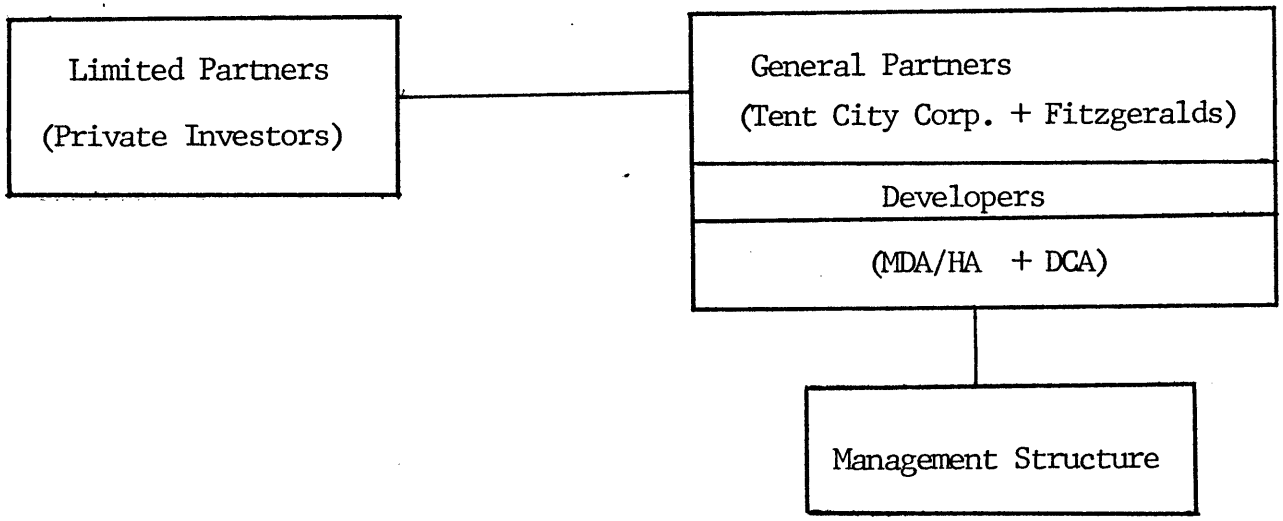
- History of Tent City and goal statement
- Description of leased-cooperative ownership arrangement, including TCC's role as co-general partner, and timing for turning the title over to the resident coop corporation at the end of the syndication process.
- Financial responsibilities and benefits to residents
- Plan for transition to resident control, including plans to transfer responsibilities from current TCC Board of Directors to resident Board of Directors.
- Description of roles of residents, resident Board of Directors and management agent
- Preliminary rules and regulations governing operation and maintenance of the property; includes rules governing the selection, qualificaiton, moving in and if needed, eviction of residents (these can be modified by the cooperative's Board as necessary).
- Procedures for maintenance repairs.
- Diagram of the cooperative, including size and location of units, facilities, such as laundromats and parking
- Description of community and community services.

The fulfillment of these responsibilities would then allow the second phase of management operations to occur, which is illuctrated by the components of the following diagram: .

diag.2 Phase II

Rent-Up

Operation Period: from one to five years



3.3 Rent-Up: Phase II

The process of Rent-Up is as much intuitive as it is technical. It is a period of selecting residents for occupancy.

Generally, it can be said that the goal in resident selection is to provide the type of resident with the greatest potential and desire to develop a cooperative life style in the housing development.

The process of attaining the goal of resident-selection must be sensitive to people's personal privacy, yet, remain effective in providing the desirable type of resident. Both the criteria and the process of resident-selection are important. Because they provide the General Partners with the rules and methods for judging the desirability of the potential resident.

Admittedly, the criteria and process are sensitive issues. For they may be influenced by the bias of the General Partners. But this potential influence is a right that the partners may exercise in management operations, if agreed upon in management negotiations.

The goals of the Tent City Task Force (outlined in section 1.4) and the Massachusetts Housing Finance Association (MHFA) resident-selection guidelines serve as appropriate resident selection criteria and selection process. In this light, the resident selection criteria and process should contain the following:

Resident Selection Criteria:

- Goals 1 thru 4 of the Tent City Task Force Goals
- housing potential-the likelihood of the potential resident to permanently reside in the housing development.
- Housekeeping ability-the resident's quality of house cleaning.
- Child Care-the stability in family life that families bring to the development.

- Living habits-the acceptable level of noise that the potential resident might bring to the development.
- Discrimination-proportion of housing units to race.
- Resident compatability-the ability of potential residents to be congenial.
- Social responsibility-proportion of housing units to families, couples and singles.

The process of determining how the potential residents meet these criteria involves the participation of both the management structure and the potential resident. This occurs in the selection process.

Resident Selection Process:

The process of selecting residents for the proposed housing development.

The MHFA resident selection process should be utilized in the Rent-Up operations of phase II. This process allows the management structure to evaluate the potential residents ability to contribute to the sucessful operations of the development. It also gives the applicant (potential resident) an opportunity for rebuttal in the event that his/her application is rejected.

In the MHFA Selection process, the applicant is interviewed, his/her needs are prioritized. And his/her credit and references are investigated. These measures are utilized in consideration for the citizen's right to privacy. A rejected applicant may request that his home be visited by the person or persons of the management structure responsible for the resident selection process. For all potential residents should be given the opportunity to refute decisions made in management.

However an applicant may be automatically rejected on criteria if he can not meet the selection criteria. The eviction of a

3.4 Initial Operations: Phase III

Initial operations is essentially an interim period before the housing development becomes a cooperative. This period serves to pre-pare the residents to fully own and manage the cooperative. The intent of this phase is to give the residents a stimulus to activate resident-involvement in the continuous management operations of the housing development.

Thus, it acts to encourage the transition of management by the General Partners to that of the residents. This period of preparation is termed "resident training".

Resident training is a process of preparing residents to fulfill the necessary responsibilities in fully manageing the cooperative. It is one of the most important management operations because it initiates the residenta' transition from a non-cooperative lifestyle to one which is cooperative.

In the process of resident training, the management structure works with the residents in establishing an Interim Resident Management Board. This will in turn, allow residents to become involved in management operations from early on. The process of resident training and forming the Interim Board are outlined and described as follows:

Resident Training:

In this process, residents become acquainted with the concept

of cooperative living, and begin to participate in management affairs. The prime objective of the resident training process is to prepare residents to fully control management operations. In doing so, the process is geared to identify the means for residents to purchase the development, for the Interim Board, and provide all necessary management staff to support management operations.

To accomplish this objective, the following proceedures should be implemented:

A) Acquaint Residents with the Concept of Cooperative Living: This is largely an educational process. In it, residents acquire the knowledge needed to understand and adjust for cooperative living.

In resident training, the management structure will:

B) Provide residents with a thourough understanding of the program design and

C) Orient residents to management and resident responsibilities. To fulfill these responsibilities, the "members' handbook" would be discussed in orientation meetings.

These meetings should be used to educate residents about the cooperative and foster a sense of community. They should also be used to dispell any semblance of lack of concern for residents and/or management's welfare. The management entity should exercise congeniality to establish a team rapport and mutual confidence between management and residents. The more management can instill a secure feeling and pride in the home and community, the more inate values that go with responsible home ownership can be evoked".

In outlining the means by which the residents can gain home-ownership within the twenty-year time frame, the orientation meetings will include

discussions, facilitated by the management structure, regarding the following financial strategies:

- Residents pay an advance on the amorization portion of their rent.
- Residents pay a deposit, in proportion, to the value of the housing unit, which might be utilized for repair of unusual damages, particularly when a resident is vacating the housing.
- Residents pay an advance on their rent in order to obtain ownership of the housing after a number of years.
- Residents purchase shares of stock into the Tent City Resident Corporation.

The use of these measures will allow residents to become involved in management affairs. Their involvement is facilitated through the Interim Resident Board. Its formation occurs through a selection and training process which is described in the following section.

Formation of the Interim Resident Board:

The Interim Resident Board is a management board, composed of General Partner, the Management Entity and residents. Its purpose is to educate and train residents to establish resident management by the Tent City Resident Corporation Board.

> "Establishing an Interim Board of Directors is a way for residents and prospective board members to become knowledgable in cooperative operations and assume responsibility early on".[1]

In recruiting Interim Board members, issues such as age, income, race, sex, sufficient management expertise, and community support of the housing development should be considered. For it is essential that the Interim Board be representitive of the

resident population in management affairs. Therefore, it is essential that there be a "Board representative selection and training process".

Selection:

The selection process is one in which the importance of a qualified and representative Interim Board can be made known to both the residents and the larger South End community; and receives the same recognition as the initial management by the General Partners. In serving this purpose, the following procedures should be implemented by the management structure.

Establish Community Forums:

Here, a series of community/resident forums are used for the purpose of enabling residents and community to get a sense of who they would like to represent them in interim management affairs. and the affairs of future resident management. They may also be used in developing community support of the housing development.

A) Notices and agendas of forum meetings are to be sent to all residents of the development; and community organizations that support the housing development. (SEPAC, Tent City Task Force, IBA, etc.)

B) Forum meetings are held and the items outlined on the agenda will be discussed.

--Attendance at the forums will be

: the residents of the development.

: members of community organizations.

: General Partners.

--Interim Board Members responsibilities are outlined and discussed.

--People are nominated for membership on the Interim Board.

--And their contributions to the coop will be discussed.

C) The nominees are voted on by residents and the General Partners only.

The appropriate number of Interim Board members should be determined by the General Partners. However, it has been suggested that "8-12 members may be appropriate".[1]

This process of selecting the Interim Board members should prove to develop a level of resident/community awareness regarding the importance of establishing a qualified and representative body of policy-making people.

Board Member Training:

After the Interim Board representatives are selected, it will be necessary for them to undergo training. The purpose of the training is to enable the representatives to effectively cope with all management issues. In fulfilling this purpose, both the Tent City corporation and the management structure would work together to facilitate the training. In doing so, they would have the following responsibilities:

A) Organize small orientation socials for the elected Board members to acquaint the elected members with the existing corporation Board.

B) Acquaint the elected members with existing Board operations. This would occur through their attendance of Tent City Corporation Board meetings and seminars offered by the management entity and/or the social program/activities director.

C) Both the management entity and the existing Board of Directors would organize and facilitate studies in management for the elected members. Here, they would offer "courses"

in cooperative operations, such as:

1) financing
2) policy-making
3) management-resident relations.

D) Utilize the "resident-training services" of the National Association of Housing Cooperatives.

This training, along with other management operations, require the use of much time and human energy. Thus, the management structure will need the assistance of a qualified management staff.

Provision of Necessary Management Staff:

For the purpose of ensuring a well-coordinated management operations, it will be necessary for the management structure to have a trained staff of employees. A lack of staff with adequate knowledge and training can delay housing schemes or seriously affect such schemes at a later stage, when maintenance and other operations become great factors.

Maintenance, security, social services and administration are necessary management operations, and thus, must be attended to by appropriate staff. The appropriate number of staff and their criteria for their selection should be determined by the General Partners and the management structure. However, the following management-staff roles and responsibilities should be considered for use in establishing the necessary staff.

A) Maintenance Director:

A Maintenance Director will be needed to coordinate the general upkeep of the property. The director will not have a permanent maintenace staff. Rather, any maintenance services which he cannot deliver will be contracted out. The need for contracting out is due to the size of the housing development. Frequently, developments

having fewer than 1000 units utilize contract-out services. The maintenance employees will be held accountable to both the General Partners and to the management structure, and/or their sponsoring agency. This is a type of centralization in management in which skilled laborers such as; plumbers, carpenters, electricians, etc. can be hired yet there can be a savings on costs through salaries and the purchase of maintenance materials.

The only slight disadvantage to centracting-out is that "maintence matters are attended to from a distance and the services are not flexible and speedy enough"[1]. But this potential disadvantage is dependent upon the quality of organization of the hired worker and his sponsoring agency. A careful selection of the maintenance workers and agencies can eliminate the need for management worries.

Thus, a Maintenance Director will be needed to facilitate the general upkeep of the property. Maintenance of the housing development will entail three (3) classes of work:

a) Day to day repairs; such as electrical defects, leaking taps, etc.

b) Periodic upkeep; such as painting.

c) Major repairs requiring heavy expenditure; such as foundation-work, roofing, storm or flood damages, etc.

The Director will have the responsibility of

1) Assigning work schedules,

2) Coordinating maintenance repairs,

3) Monitoring maintenance performance,

4) Supervising the maintenance staff and

5) Annually inspect the housing units.

B) Security Staff:

Much of the development's security can be derived from the residents. "Looking-out for one another" in addition to the use of security guards. This will allow the residents and the surrounding neighborhoods to feel secure and protected.

The security staff should be extablished as the need arises. In selecting the staff, there are many types of "sentry services" that may be appropriate for Tent City's use. Just a few of those options are: security guard referral agencies;
private plain-clothes officers and
neighborhood alert teams, etc.
The determination of the most appropriate type of security staff for Tent City's use can only be determined by both management, residents, and available funds. However, a neighborhood alert team utilizing vehicular and on-foot [illegible] might best serve Tent City's needs. And with cooperation between the security staff and residents the probability of neighborhood crime occuring may be quite small.

C) Social Program/Activities Coordinator:

In the event that the corporation and residents wish to make use of social services and activities, a "Program/Activities Coordinator" will facilitate the delivery of social services.

Residents may wish to know what community services are available, or may wish to create cooperative services such as: day car, food cooperative, etc.

If so, the residents may work with the corporation board in developing a formal social services program. And, in this event, the residents themselves will participate in the

delivery of services. Their participation may be either voluntary or paid as determined by the corporation board.

The delivery of social services should not be restricted to those services which might be generated from within the development. Nor should the delivery of outside services dominate resident-sponsored activities. Rather, all available and appropriate social services and activities should be considered useful.

Thus, there is flexiblity in the delivery of social services which will allow residents, outside community organizations, public service agencies to support each other and guarantee community-support of the housing development.

Just a few of the many social services available to Tent City are conveniently located in the South End. They are:

Meals on Wheels

YMCA/YWCA

Big Brothers

Project Place

United South End Settlements

South End Neighborhood Action Program (SENAP)

In the delivery of social services, the Social Program/ Activities Coordinator would be held accountable to the Board, and would fulfill the following responsibilities.

1) Coordinate the delivery of all social services.
2) Programming essential social services.
3) Soliciting suggestions from residents regarding social services.
4) Scheduling social programs and activities and assign them to the most appropriate common spaces.

5) Compile financial statements that concern the delivery of social services.

6) Monitoring the performance of the social service providers.

7) Reporting all social services to the Board.

D) Clerical Staff (administrative):

The role of the Clerical Staff is to act as administrative assistants in management operations. It would primarily act in a secretarial capacity.

This staff may be secured through various means such as a secretarial referral service, individual hiring, etc. But the most convienent means is for the management structure to have a clerical component in its organization. Many of the staff's responsibilities would be make known as management operations are in progress and would be formally outlined as various management affairs arise.

But some basic responsibilities that the Clerical Staff might fulfill are the following:

--recording the collection financial transactions; such as rent, mortgage payments, etc.

--filing the minutes of Board meetings.

--recording any legal transactions.

--documenting maintenance repairs and resident-complaints.

--dispersing and receiving mail.

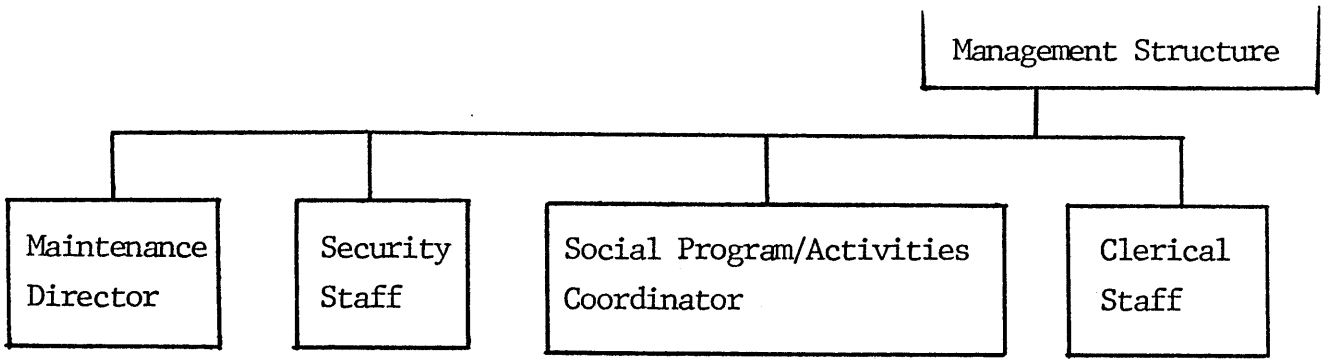
--recording the delivery of social services.

The establishment of these initial operation will then secure the foundation for supporting residenting resident involvement in management affairs. In turn, this will allow the housing development to officially be recognized as a cooperative under the management of a Resident Corporation Board. At the end of Phase III, the management structure would be diagramed as follows:

diag.3 Phase III

Initial Operations

Operation Period: from one to five years



As resident-participation is phased-in, the General Partners will then be allowed to transfer management responsibilities to the Resident Corporation Board in Phase IV.

3.5 Formation of Resident Corporation: Phase IV

Formation of the Resident Corporation:

This phase of management represents the official operation of the cooperative. As the syndication process nears completion. the residents and Interim Resident Board work together in determining future cooperative operations. Also, proceedures for establishing non-profit corporation statue are implemented.

These proceedures will, in turn, firmly establish the Tent City Resident Corporation. The process in which the Resident Corporation is formed is outlined and described as follows:

A) Resident Board Committees are established. This is a set of four committees, comprised of residents who will make recommendations (regarding management operations) to the Interim Board. Together, the Interim Board and the committees are the Tent City Resident Board-the cooperative association of residents.

- Each committee has principle concerns regarding one particular aspect of management operations such as:

  --Maintenance

  --Security

  --Social Services

  --Administration

- Each Board Committee (whose number of members should be determined by the Interim Board) will compile monthly statements regarding the management operations of its particular concerns.

- The Resident Corporation Board will then review the Board Committee's reports and develop suggentions and recommendations for improving management operations.

In effect, this procedure is a "checks and balances" system, by which residents are kept abreast of all management operations and actively participate in management affairs.

The process by which these committees are formed operates in the same manner as that which was implemented in establishing the Interim Board.

Finally, when the Resident Corporation Board is established, it will seek non-profit corporation status.

B) Secure Non-Profit Corporation Status.

Establishing corporation status will allow the housing development to be legally recognized as a cooperative. The Corporation Board as being the representative body of corporation affairs.

This will give residents the opportunity to take advantage of the tax benefits outlined in the finance plan. It will also allow Tent City Associates (TCA) to net-lease its interests in the housing to the cooperative association of residents.

In securing corporate status, the Tent City Resident Corporation Board will file a Chapter 180 non-profit corporation application. In the set of by-laws (of the application) the Board will include a set of rules under which its building is to be operated. Its rules will cover the conduct of the apartment occupants and the guests in every area such as: personal behavior, criteria of occupancy, payment of bills, condition under which the apartments could be sub-leased and sold, as well as a wide variety of self-imposed rules.

Rules also include standards for contracting the management of the property, the method of making complaints and the items which should be taken up with the building management and with the Board of Directors.

Theses rules are established by the Resident Corporation Board and residents through a voting process as described in the following:

C) Voting on Cooperative Rules:

This process would occur in the same manner as the voting process used in selecting the Board Committees. But, in determining the rules of the cooperative, the management structure would establish a series of Board and Board Committee meetings to develop the rules of the cooperative. Afterwards, these rules are presented to residents for approval by vote.

The development, presentation, and approval of th proposed rules could occur as follows:

1. The Board Committee will develop rules that specifically relate to their particular concerns of management operations.
2. Each committee will then present their proposed rules to the Resident Corporation Board.
3. The Corporation Board, in turn, will amend these rules according to the goals and objectives of the Tent City Task Force and any additional desires that the Board may have regarding management operations.
4. The Corporation Board, in turn, will propose these rules to the cooperative residents for their approval in resident-management meetings.
5. If rules need to be revised, the corporation Board would revise them.

6. All approved rules are then recorded by the management structure and finally included in coop corporation by laws.
7. The Chapter 180 application is then filed.
   When the Corporation application is approved, the General Partners will then relinquish their management responsibilities to the Resident Corporation Board.

At the end of Phase IV the management structure would be diagrammed on the following page. The management structure of Phase V follow this.

3.6 Resident Management: Phase V

This phase represents the completion of th syndication process and the establishment of the Tent City Resident Corporation. At this time, the housing development begins to operate in the manner of a traditional cooperative. It is thus managed by the Tent City Resident Corporation Board. This Board will, in turn, manage the cooperative from now on.

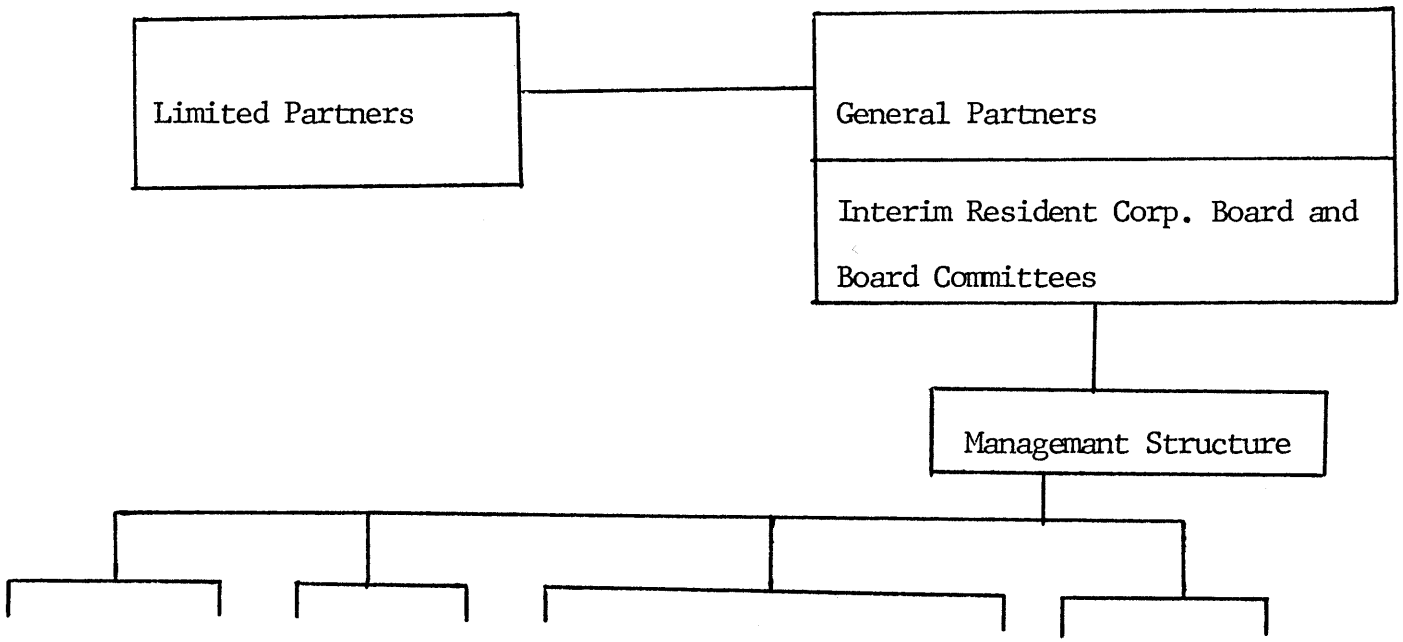
Many factors influence cooperative living; the surrounding neighborhood, the cooperative's social/cultural activities, housing design, resident composition, Board enthusiasm and activity, the management agent, etc., etc. Encouraging resident involvement in the decision-making about their housing is the most effective way to ensure these living environment factors be positive. While every resident may not wish to actively participate in the decision-making process, an important aspect of the cooperative is that the channels through which they may have a voice be present.

The benefits derived from full resident-management are many. But, it can generally be said that "it develops community", a cooperative is in essence a community.

diag.4 Phase IV

Formation of Resident Corporation

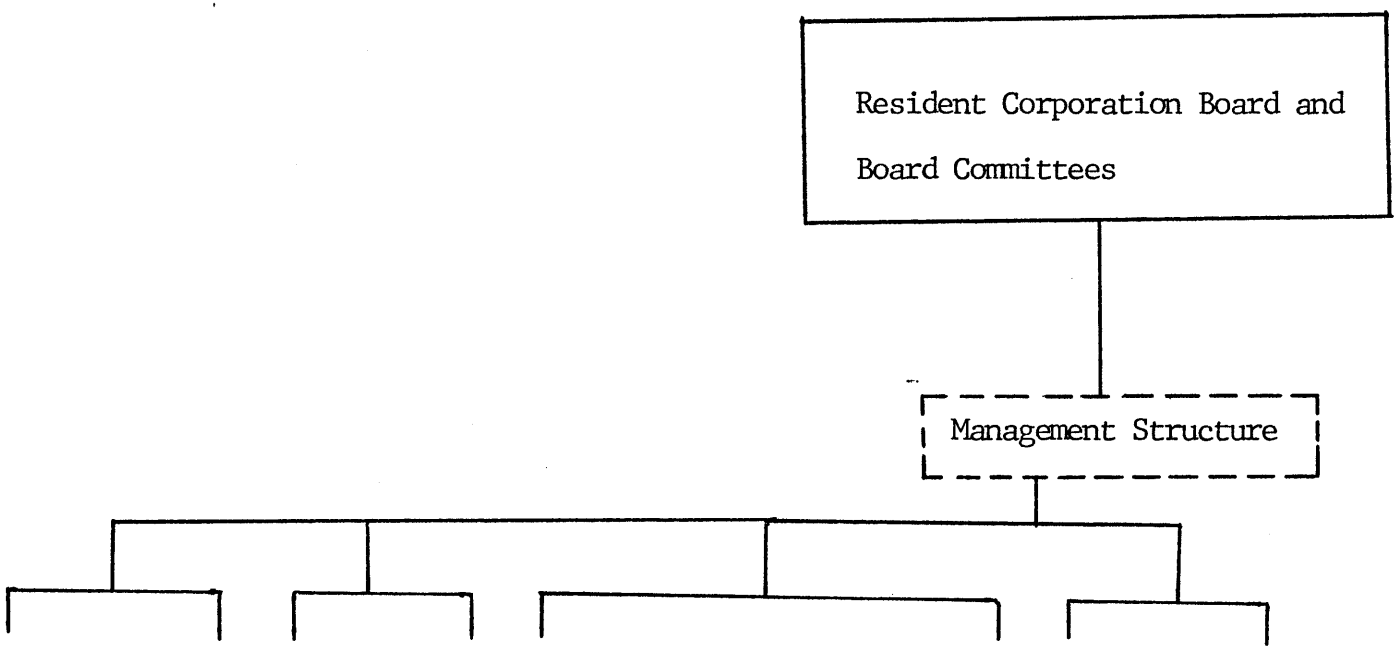
Operation Period: from one to five years



diag.5 Phase V

Resident Management

Operation Period: "continuous"



Note: At Phase V, residents may select a different management structure, yet the management staff is likely to remain the same.

It is a defined group of people (residents) that have specific relations or functions (responsibilities) in the process of providing mutual services to each other.

A housing cooperative cannot be all things to all people, but can offer a housing service through which people feel a sense of pride. "It is an opportunity for people to own their shelter as well as share responsibilities with others from very different backgrounds". A resident's pride is derived from the feeling of self-worth and importance. And in a cooperative, the collectivity of residents continuously reinforces the importance of each individual through work.

In the case of Tent City, the work is that of fully managing the housing development. In this cooperative, like others, the work is not a chore, but an opportunity. This is true in the sence that the residents will have taken advantage of the opportunities of resident-training and management from phases I thruV. Thus, they have afforded themselves the opportunity to fully own and manage the housing development.

In the Tent City Cooperative housing, a resident may decide not to be a cooperative mamber. In this case, the status of his residency may be jepordized by the rules developed by the Resident Corporation Board and the Board Committees. His residence status as a non-coop mamber, may in fact bar him from participating in cooperative affairs and taking advantage of coop-member tax benefits (outlined in the Finance Plan).

Full cooperative members have the collective responsibility to own and manage the project. They have a vote in the decision-

making process of the cooperative. An elected board officially acts as the legal voice of the cooperative, making decisions on maintenance, renovation, transfer of units from a member wishing to leave, to a new member and also on the operation of the building. Also, the cooperative Board has the power of deciding whether the person wanting to leave the development looses his equity or not. But as a principle, coop members who leave the cooperative should lose their equity.

The specific operations of the cooperative under resident-management will not be discussed in this thesis. For it is the responsibility and opportunity of the residents, themselves, to determine this. However, it can be generally stated that at all times, the management operations which are outlined and described in this thesis should continually be maintained by the cooperative residents.

3.7 Summary:

With the use of management phasing as outlined and described in this chapter, the goals and objectives of the Tent City Task Force can be achieved.

This phasing process allows the housing development to be initially managed through the General Partners, later, through the Tent City Resident Corporation Board.

With phasing, all necessary management operations can be fulfilled with competence.

Residents can increase their participation in management operations while generating community support of the housing development.

Management phasing can be facilitated through optional mechanism (management structures) which provide the General Partners with assistance in facilitating management operations.

Thus, the General Partners, should choose one of the management structures in negotiating management issues.

The following chapter presents two optional management structures that the General Partners should consider in selecting the most appropriate mechanism for assisting management operations.

Chapter 4

Optional Management Structures and Recommendation

4.1 Introduction:

Because of the nature of Tent City Corporation's struggle for securing housing in the South End, its proposed development plans and the management planning that is required, there is a need for Tent City's management structure to posess some "fundamental qualities". These qualities include, but are not limited to, the following:

- A thourough knowledge of leased-cooperative housing management.
- Ability to provide the development with a competent management staff.
- Expertise in working with "traditional cooperatives".
- Management style compatable with integrated housing.
- A track record which supports the philosophy of integrated housing committment to fulfilling all necessary management operations.

These qualities should, in turn, serve as a basis for Tent City Corporation's selection of the most appropriate management structure that will facilitate the management operations of the housing development.

In selecting the most appropriate type of management structure to facilitate management operations, the General Partners should choose one of the following:

a) Management consultant

b) Management agent.

To assist the General Partners in making a choice between the two options, this chapter discusses the qualities of each management structure and its potential for appropriately fulfilling management operations and responsibilities. Following this discussion is a recommendation

for management structure selection.

The options are discussed in terms of their involvement in the management operations of phases I thru V, thus, can be compared. In this light, the General Partners' can select the most appropriate management structure for facilitating the management responsibilities of Tent City's housing development.

4.2 Management Structures:

This selection outlines and describes the qualities of each management structure as it is demonstrated in each phase of management operations.

The management structures may be defined as follows:

A) Management Consultant-an agency, represented or independent advisor of management affairs who is empowered to accept responsibilities in advising management as requested by his employer or client.

B) Management Agent (Firm)-an agency or firm that specializes in fulfilling specified management operations.

In general, the qualities that they bring to management operations may be described as follows:

Type A: Management Consultant-

Among the "fundamental qualities" that are listed in in section 4.1, the consultant primarily brings an extensive level of knowledge in housing management to the development-his researching abilities that are implemented in consultant-work provides him with a wide range of knowledge.

An extensive library of literature concerning management is the "resource bank" of the consultant.

Therefore, the compatability of his management style in facilitating management operations may be deficient. He may be able to refer the General Partners to individuals, agencies and firms for assistance in fulfilling management responsibilities. But the consultant himself is not equipped to "actively" be involved in management operations.

Type B: Management Agent (Firm)-

The firm provides the development with all of the fundamental qualities listed in section 4.1.

All of the requirements for fulfilling management operations can be satisfied with the use of a firm. It possesses the appropriate knowledge, expertise, amnagement style and track record that is needed in thoroughly fulfilling all specidied management operations.

Therefore, its commitment to making sure that all management operations are implemented and responsibilities are fulfilled can be determined. The affirmation of the consultant's abilities and commitmeents could prove to guarantee successful management of Tent City's housing development.

The qualities of the options are descrived in the management phases as follows:

Type A: Management consultant

Phase I: Management Planning:

This first phase of management operations is facilitated primarily by the General Partners, while the consultant acts as their advisor in planning the management opertions of the housing development.

The consultants services may be utilized for one or all of the management phases, depending on the contractural arrangements of his consultancy. In management planning, the consultants responsibilities would include, but be limited to, review, critique, analyze, revise and/or add to the responsibilities and operation esbablished by the General Partners.

Type B: Management Agent (Firm)

Phase I: Management Planning:

In the first phase of management operations, the firm assigns an "Executive Director" to fulfill the responsibilities, which are outlined in Management Planning-section 3.2. The firm also provide any assistance and expertise in supporting, both the Exective Director and General Partners, in fulfilling Phase I's management responsibilities and in implementing management operations of Phases II thru V.

Type A: Management Consultant

Phase II: Rent-Up:

In this pahse, the selection of residents would be primarily facilitated by the General Partners, while the management consultant acts in an advisory capacity in establishing resident-selection criteria and the coop members handbook.

The consultant is primarily responsible to the General Partners in fulfilling his contractural arrangements. But, he essen-

tially cannot be held accountable for any "deficiencies" in the fulfillment of his responsibilities. If he does not fulfill his responsibilities in "Rent-Up", the General Partners can only terminate this consultancy and seek alternative assistance. In this event, management operations of Phase II thru IV may be inhibited.

A consultant may lack the back-up of an agency or firm that has the principle concern of supplying assistance in management operations.

Type B: Management Agent (Firm)

Phase II: Rent-Up:

In this structure, the agent's Executive Director would be primary responsible for fulfilling the management operations of this phase. Yet, he is held accountable for his actions through his firm. This structure would then provide the General Partners with additional support in fulfilling management responsibilities. In the event that the Executive Director "fell-short" of fulfilling Phase II operations. The firm would provide the development with another Executive Director. . in fulfilling the remaining management responsibilities.

In addition, the firm provides a range of services that assist the Executive Director and General Partners in facilitating resident-selection and the establishment of the Members' Handbook. Items such as occupancy agreements, rental schedules and management agreements are made available to the General Partners and Executive Director.

Also, the firm can be utilized as a consultancy organization for any advice needed in determining a resident-selection policy.

Type A: Management Consultant

Phase III: Initial Operations:

The use of a consultant in this pahse may severely inhibit management operations. Teh processes of training residents, providing the necessary management staff, establishing and training the Interim Resident Board do not primarily entail consultancy. But instead, they require a level of expertise and experience in management that allows these processes to be implemented.

The General Partners might not have the appropriate expertise in facilitating these processes. Thus, the Phase III management operations might not be fulfilled.

In addition, consultation of the Initial Operations may require more time than the management phasing process allows. At the start of Phase III, the management operations require that the management structure be prepare and equipped to be engaged in the management affairs. Thus, any consultancy that is needed regarding Initial Operations will need to take place prior to the commencement of this phase.

Even though Phase I: Management Planning does include planning Phase III operations, there is now a need for active involvement of the management structure in fulfilling the responsibilities of Initial Operations.

Type B: Management Agent

Phase III: Initial Operations:

The use of a firm with its Executive Director is actively involved in the management operations of this phase.

It acts to implement the processes of training residents, providing the necessary management staff, establishing and

training the Interim Resident Board.

In addition, it possesses the expertise, experience and resources in management that allows these processes to be implemented.

Because of the firm's capabilities, the transition from management by the General Partners to that of the Tent City Resident Board can occur without difficulty.

Type A: Management Consultancy

Phase IV: Formation of the Resident Corporation

In this structure, the General Partners will be primarily responsible for establishing the Resident Corporation, the Corporation Board and the Corporation Board Committees. At the same time, the management consultant acts in an advisory capacity in establishing the processes of establishing the Corporation and Boards.

Although this management structure gives the General Partners the opportunity of facilitat these processes, yet in doing so, it does not allow the general (initial management) the opportunity to be phased-out of the management process.

Type B: Management Agent (Firm)

Phase IV: Formation of the Resident Corporation

In this phase, the Executive Director is primarily responsible for facilitating this transition to resident-controlled management; , allowing the General Partners to be "phased-out" of management operations.

The Executive Director, with the assistance of his firm, works with the residents in establishing corporate status and board structures. The role of the General Partners, in this phase,

would, [illegible], be advisory to the Executive Director. Still, the Executive Director remains accountable to both the General Partners and his firm in fulfilling the management operations outlined in section 3.7 of this thesis. This, then allows the General Partners to play a "deminishing" role in management operations, from this point. Finally, the use of the management structure allows for resident-controlled management to take place in Phase V.

Type A: Management Consultant

Phase V: Resident-Management:

In this phase, both the General Partners and management consultant will officially be relinquished of all management responsibilities except those which the Resident Corporation Board has contracted of them.

At this point, consultancy services might prove to be beneficial to resident-management operations. That is, in the event that the Resident Corporation Board needs technical assistance, it will then contract the services of a management consultant.

As the Resident Corporation defines its responsibilities, it will contract consultnacy services as needed. This will encourage the residents to develop the responsibility and discipline that is needed in continually controlling management operations.

Type B: Management Agent

Phase v: Resident-Management:

Here, contractural arrangements can be established between the Resident Corporation Board and firm[illegible]

The firm can fulfill the role of a consultant; as described in Type A, and provide the residents with expertise in resident and board training, along with the delivery of social services.

4.3 Recommendation:

The difference between the qualities of these two management structures, basically, lies at the support that they are "equipped" to contribute to Tent City's management operations.

The first structure, the management consultant, provides the General Partners with the opportunity of being responsible for fulfilling any or all management operations and contracting any other consultancy or "employee" services (regarding the management staff). Yet, this is an opportunity that the General Partners may not want to take advantage of since they wish to be "hased-out" of management responsibilities within the twenty-year transition period. The support that the management consultant brings to management operations is his ability to provide the development with advisory services only. But, the management operations require "active involvement" rather than strictly advice.

On the other hand, the second structure, the management agent (firm) provides the General Partners with the opportunity of playing a secondary role in fulfilling management operations. The firm supplies the housing development with the support needed to thouroughly fulfill all management operations.

The support that the firm brings to the management operations of the housing development is a "pool" of resources that are needed in appropriately managing the leased-cooperative housing development.

Therefore, in light of these qualities that the options bring to management operations, Tent City Corporation should utilize the services of a management agent in fulfilling all management responsibilities of

the proposed leased-cooperative housing development.

This choice will provide the General Partners and the future residents with the security of knowing that the housing development will be well-managed and continually supported.

4.4 Conclusion:

This thesis has attempted to demonstrate that with proper planning and phasing, Tent City's leased-cooperative housing development can be well-managed. Hopefully it has done so.

However, the contents of the thesis have been principally concerned with "technical" operations of managing the housing development. Yet there are two issues that may have some bearing on the success of the development, which are not discussed.

The first issue is that the twenty-year transition period, in which managemnt responsibilities are transfered from the General Partners to the residents, may be met with drastic changes in the South End's social and economic fabric. The changes may in turn, impact the socio-economic composition of Tent City's leased coop. Thus, the Tent City residents will have to "contend" with gentrification issues that may affect their lives and the lives of their neighborhood. In addition, the finance plan assumes that the residents will live in the development for a minimum of twenty years to become a full cooperative member. But the realism behind this assumption should be questioned. Because many people do not reside in one place for an extensive period of time unless they initially own their place of residence. Thus, Tent City Corporation should develop methods by which the twenty-year syndication process can be reduced.

The second issue is that this thesis does not compare Tent City's proposed development, and the recommended management plan with similar developments which are located throughout the Boston Area and thus is limited regarding the "Boston cooperative experience".

Even though the leased-cooperative concept has never before been tried in Boston, existing housing cooperatives in Boston have a wide range of experiences in management that could serve to complement the contents of this thesis. And in turn, this thesis will hopefully answer some of the management questions that have been unanswered in the development of the existing housing cooperatives.

Therefore, in light of these issues, it is advisable that there be additional studies and investigations regarding future socio-economic trends in Boston's population migration, expediency in acquiring cooperative home-ownership, and local efforts in developing the existing housing cooperatives. For these inquires can serve to complement present, and future efforts in developing decent and affordable residential communities in Boston, as well as nation-wide.

APPENDIX #1

FINANCE PLANS

(source: Tent City Corporation
Executive Summary 1980

FINANCING PLAN

A. CONCEPT

The financing plan for the Tent City site must incorporate provisions for the following objectives:

1) Provide affordable housing for mixed income occupancy--approximately a 25/50/25 ratio of low, moderate, and market income households.

2) Provide for both ownership and rental occupancy.

3) Provide for the rehabilitation of existing structures and for the new construction of both townhouses and midrise apartments.

4) Provide for the phasing of the total development of the site.

5) Provide for the optimal use of potential UDAG funds to serve the other objectives.

There is no financing and/or subsidy program that is designed to accomplish all of the above objectives under one umbrella. For example, state and federal programs are generally geared to either ownership or rental occupancy, not both together. HUD programs also tend to be differentiated by income levels and even age groups served; MHFA allows for more flexibility as to income mix, albeit primarily for rental occupancy. Both HUD and MHFA programs provide for new construction as well as rehabilitation in rental housing, but homeownership is limited to specific financing and subsidy configurations. Phasing is no particular problem under any one of the programs, but there are inevitable complications with cross-securities when mixing programs. The unfortunate net effect of this situation is to fragment the overall housing community developed, resulting in one building being all low income rental apartments, another portion of the site being developed for homeownership townhouses, etc.

Given these apparent internal conflicts of existing financing and subsidy programs, Tent City Associates has devised an innovative new approach--the "lease cooperative." While this approach has been used in similar forms eslewhere, the lease cooperative concept has not previously been tried in Boston. In summary, here is now it will work:

1) TCA, acting as a limited-dividend entity, will develop the entire site as if all rental housing. A single financing program--either MHFA or HUD--will be used in phases as required. Low income households will be assisted under the S.8 program, moderate income households (three levels) will have their effective housing costs reduced through the use of UDAG funds. As the title owner of the property, TCA will be eligible for certain tax benefits associated with such real estate; these benefits will be syndicated and the proceeds provide equity funds, profits, and development/operating contingencies.

2) TCA in turn will net-lease its interests in this housing to a cooperative association of the residents. Each household will automatically own one share in the coop and be entitled to all decision-making and equity rights represented by that share. The coop, acting through its elected board, will have full control over all budgeting and management matters; the only fixed obligation will be to make the net-lease payments to TCA to service the original capital investment. Each resident shareholder will also be entitled to certain tax deductions and equity appreciations as more fully described below. While such tax and equity benefits will be more constrained than under more traditional homeownership forms, there is no question that each cooperator will have full participation in the affairs of the coop and full control over his or her tenure in the coop.

As described above, tax and equity benefits to the individual coop shareholder will be somewhat constrained. However, partial or full personal tax deductions will be secured for the cooperators as follows:

1) Real estate taxes - A c.121A-6A agreement, based on typical tax formulas currently in effect, will be sought for the development in the name of the coop; as such, taxes should be deductible by the resident, not by the limited-dividend entity.

2) Mortgage interest - Interest deductions would normally be accrued by the limited-dividend entity as the mortgage holder; however, federal and/or state legislation will be sought to allow these deductions to be allocated to the coop shareholders for their personal benefit.

Equity appreciation will also require special treatment under the lease coop concept--balancing the desire of the cooperators to share in such appreciation while maintaining an affordable mix of housing opportunities in the future. For this reason of balance, all shareholders will be required to resell their shares back to the coop treasury when they move.

The repurchase price will be calculated using a formula (to be further detailed) based on years of residence, original and subsequent capital investments, proportion of total coop costs supported, etc. The repurchase payments will come from a pool of funds accumulated for this purpose from the following sources:

1) Syndication - A portion of the limited-dividend syndication proceeds will be set aside as part of this pool.

2) Downpayments - All equity contributions of the shareholders when they buy into the coop will be invested in the pool.

3) Annual distributions - One-half of the annual cash flow, if earned, will be earmarked for this purpose.

4) Refinancing - One-half of any refinancing proceeds will be placed in the pool.

The lease coop approach, therefore, addresses the objectives originally outlined:

1) Mixed Income - An income mix will be achieved as follows:

*Low income - S.8 funds will be used to reduce coop costs to 25% of income for lower income households. Such members will have full participation rights in the coop, but their share of equity appreciation will be related to the ratio of coop costs contributed versus total costs for the unit occupied.

*Moderate income - These households will be indirectly assisted through the write down or other support of certain capital costs by use of UDAG funds. Such coop members, however, will be required to cover full operating costs and, to the extent of their contributions to the total costs, will receive equity participation.

*Market income - Market rate cooperators will pay the full costs of their occupancy and be entitled to full benefits.

2) Ownership vs. Rental - The lease coop approach combines aspects of both ownership and rental occupancy, although it more closely resembles ownership. However, should certain households choose not to participate in the coop affairs, the coop treasury may retain shares and rent these units to the households in question.

3) New vs. Rehab - As an umbrella program, the rehabilitation of existing structures on the site and the construction of new townhouses or mid-rise apartments can be covered by the concept without differentiation as to income mix or form of occupancy.

4) Phasing - The coop can be expanded as required if the site is developed in two or more phases without disturbing the basic concept.

5) UDAG - The lease coop provides an innovative vehicle to harness UDAG funds to accomplish the other objectives at hand.

The lease coop, therefore, incorporates and facilitates the basic principles established for the development of this site. The concept may not only provide a solution for development of Tent City, but also provide a model for creating other housing opportunities in Boston as an alternative answer to rent control, condominium conversion, and/or fully subsidized housing. The lease coop is a creative compromise!

B. APPLICATION

The basic lease coop concept for development of the Tent City site has been described above. This section applies that concept to the specific financing requirements for the project. The assumptions below are applied and embodied in the MHFA proforma application contained in the appendix to this section.

1) MHFA tax-exempt bond financing will be used for the development, serving all income groups, new and rehab construction, etc.

2) Although the project will be developed in at least two phases, a single consolidated financing is illustrated.

3) 1981 construction dollars and late 1983 operating expenses are assumed in the proforma.

4) Approximately 20,000 s.f. of commercial space is also incorporated in the ground floors of buildings facing Columbus and Dartmouth Streets.

5) The income mix below is assumed based on 1983 incomes; note that such incomes are as much as 33% greater than 1980 if a 10% annual inflation factor is applied.

Income Group		Income Range	No. of Units		Percent of Units	
Low		$ 0-$13,500	70		25.9%	
Moderate	(A	$13,500-$20,000	43)		15.9%)	
	(B	$20,000-$27,500	44)	130	16.4%)	48.2%
	(C	$27,500-$35,000	43)		15.9%)	
Market		$35,000+	70		25.9%	
Total			270		100.0%	

6) The below building type/unit type mix is assumed:

	1 BR	2 BR	3 BR	4 BR	Total
Townhouse (rehab)	8	10	19	3	40
Townhouse (new)	17	60	26	7	110
Mid-rise (new)	90*	10	15	5	120
Total	115	80	60	15	270
Percent	42%	30%	22%	6%	100%

* Note: 55 of these units may be designed as studios for elderly congregate housing.

Three key "subsidies" are included in the financing plan as follows:

1) S.8 subsidies are used to reduce the coop costs of the 70 low-income households served. These households, primarily elderly, would pay 25% of their income for these costs and the balance of the monthly charges would be borne by the federal government. Thus, the effective rental income for these low income units is the same as if the residents were paying "fair market rents".

2) A c.121A tax agreement is assumed, permitting real estate taxes to be paid as a percentage of effectice rental income. An initial rate of 13% on revenues from all income groups is assumed; this rate would rise to 18% over time. The taxes the first year of full occupancy would therefore be nearly $250,000 or $925 per unit average; the parcel currently pays about $68,000 in taxes annually.

3) UDAG funds made available in conjunction with the Copley Place development would be applied to reduce the carrying costs for the moderate income cooperative residents (these levels). These households would pay 25% of their income towards monthly charges, and the balance of costs would be offset by the UDAG. In all cases, these households would be covering full operating expenses and taxes.

The proforma financial budget shows the benefit of the UDAG being applied as an annual subsidy--assuming the UDAG in the form of loan repayments would flow to Tent City; or the UDAG in the form of a grant had been invested at the MHFA debt rate to provide an annual annuity. Alternatively, the same effect could be created by applying the UDAG as a grant in the first instance to write down land acquisition and site development costs, thereby reducing the mortgage and hence the carrying costs directly. A combination of the initial grant and the long-term annuity approaches could also be used.

The total UDAG requirement as shown would be approximately $4.4 million. It should be noted, however, that the proforma assumes $1.7 million for site acquisition and site development and a balance of $2.7 million to help defray other costs. In the event that site related costs are higher than currently estimated, the total UDAG would have to be increased accordingly if the same balance of monthly costs are to be maintained. Similarly, the UDAG would have to be adjusted to take account of higher or lower debt service rates or real estate taxes.

While the estimates of development and operating costs incorporated in the MHFA proforma that follows are necessarily preliminary, TCA is fully confident of the feasibility and desirability of the "lease-coop" concept and its application to Tent City!

APPENDIX #2

Descriptions of Management Documents:

Occupancy Agreement

General Lease Provisions

Memorandum of Agreement

Management Structure's : Public Relations

: Lease Form

: Lease Terms

(source: D. Downs " Principles of Real Estate Management" 11th edition)

OCCUPANCY AGREEMENT:

A document, formerlly called a Residential Lease.

Lease: a contract given by one person (landlord or leassor) to another (the tenant or leasee) for use or posession of lands, buildings, etc. The agreement is valid for a specified time, and for specific payments regarding a leasing arrangement. The contract is written and binding in legal senses with respect to the committment by the signatories.

Agreement: an arrangement, verbal or written. It is enforcable within the lands of the law to the extent that the law applies, and to the degree that the intent is clear.

Occupancy agreement: a euphemism for lease. It is employed today to soften and deminish any antatonism between leassor and leasee, and hostility that may be felt between manager and managed. An example of an Occupancy Form is illustrated on the next page.

Desireability of Term Leases: Month to Month

Bi-yearly

Yearly

GENERAL LEASE PROVISIONS:

Standard forms: (available at Greater Boston Real Estate Board) agreements between the building owners and property manager. There are different forms designed to embrace covenents which are applicable to the types of buildings leased as well as to local laws.

MEMORANDUM AGREEMENT:

Includes a Memorandum of Agreement-it describes the premises, sets forth the terms of tenure, and states the amount and method of rent payment-it is signed by both parties.

Services-Maintenance: external and internal. This service can be describ-

ed as janitor service. This service also includes utility maintenance.

Condition of Premises: The leases provide for inspection of the premises by the landlord. And there is a guarantee by the renter that he will return the premises in good original condition. This clause contains specific prohibitions against alteration, remodeling, etc.

Use of Premises: Leases provide that tenants use premises for designated purposes. The purpose of this clause is to restrict management responsibility of the leassor. There are restrictions to the immediate family of the leassee: to prevent addition of a room. This clause also prohibits illegal use, with termination penalties.

Subletting: A covenant which restricts the rights of the leasee to assign or re-designate the lease without the written concent of the leassor.

Fire Clause: A clause which provides for desposition of the leasor in case the apartment is uninhabitable.

Landlord Legal Remedies: a clause which provides the landlord with a network for terminating the lease, for recapturing posession of the premises, and for collecting rents. The issue of damages made by the leassor is facilitated by a lawyer.

Lease Riders: additional agreements regarding decorating, repair, alteration and maintenance.

MANAGEMENT STRUCTURE'S PUBLIC RELATIONS:

For good public relations, the manager should check the leassors understanding of the lease by evaluating his explainations of his understandings.

LEASE FORM:

A form which is adapted to convey understanding of the lease agreement

should be designed to be unaformally used by all potential residents. The manager should seek to build long-term goodwill and should not use a lease form which mis-inform people and remove basic covenants which uninformed people will sign as a matter of faith.

LEASE TERM:

Use of residential leased for terms beyond month to month occupancy is not unusual in the United States. Most terms are one-year terms. However, there are advantages to a month to month lease term. Fluctuations in the housing market can be adjusted within the housing development with a month to month lease. That is, in a rising market, the lease tends to restrict the landlords right to adjust his rental fee upward in line with market movement. And in a declining market, the tenant is held to a rental agreement which may be above the going rates for comparable space. The month to month lease term will be advantageous in being sensitive to these fluctuations. The disadvantages are greater for the landlord than for the tenant. In periods of rising rentals, landlords can always be held to the terms of the lease. But in periods of decline, tenants do not have the resources to pay a rent fee higher than that warranted by their current incomes.

Still there are equal advantages to both: there simply is the reduction of arguments between the leassor and the leassee regardless of signed contract agreements. And because of seasonal fluctuations in demand for residential quarters in many sections of the country, there is also advantages. But, regardless of the social dynamics between a leassor and a leassee, the basis of the lease term is to minimize vacany rates throughout the year.

A month to month lease term has disadvantages for both the leassor and the leassee, also. That is, if the landlord desires to obtain posession

of his own property, he is unable to do so until the termination of the lease. On the other hand, if the tenant is required to move from the city or forces changes in the family pattern or income status, he is held to the lease until its expiration. In lease terms exceeding thirty days, the expiration of the lease extablishes bargining between the leassor and leassee. This bargining is disadvantageous to the leassor in that it provides a focal point for the demands of the leassee with respect to maintenance of decoration; and equipment. Also, it brings into existance a periodic analysis of rental by both leassor and leassee to the extent that one or the other may seek an adjustment.

FOOTNOTES

PAGE NO.	FOOTNOTE NO.	SOURCE
1	1	South End Committee Report, date:1965 Op. cit., p.65
2	1	HUD Urban Renewal Land Disposition date:.1967 Sec. 2
7	1	Tent City Corporation-Executive Summary
8	1	Tent City Corporation-A Chronicle of Events - Total Studio MIT 1978
10	1	I.bid
15	1	I.bid
29	1	Resident Control in an Integrated Housing Cooperative: Considerations for Tent City, by Nancy Jackson and Barbara Synhorst May, 1980

Note: For full references refer to bibliography p.72

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PART B: NEWS ARTICLES

PART C: BOOKS

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