

Planning for Growth and Renovation

NASCO Institute 2015

Chiji Ochiagha

Why are we Planning?

- Expansion
 - Mission of the cooperative
 - Examples: Provide affordable housing, provide student housing, change the dominant paradigm, etc.
- Renovation
 - Home may need major maintenance
 - Reinvigorates and revives the present community





Community Vision and Mission

- Shared future we want to create
- Reveals and announces our core values
- Each of us can identify with it
- Helps unify our effort
- Reference point we can return to
- Keeps us all inspired
- Values exercise

How to Determine Community Values

- Why does each person enjoy community?
 - Many varied reasons
 - Discovering why each person values the cooperative is important for envisioning a new community

Exercise

- What are times or settings you have felt fulfilled in community?
 - Potential examples
 - Family
 - Summer camp
 - College dorm, fraternity, sorority, housing co-op
 - An intentional community
 - An activist or service based community
 - Therapy group
 - Art group: Dance, theater, music
 - Workplace
 - Shared meals

Strategic Planning

- Strategic plans often vision 5-10 years in the future
- Goals may vary in terms of being somewhat broad to fairly specific
 - Examples: Repair the foundation, buy a new house, fund educational events, expand into new sector (food service, farming, etc.)

Strategic Planning

- Creating long term plans often isn't a great strength of cooperatives
 - Turnover is often fairly quick
 - Long term plans tend to be longer than the stays of most members
 - “Good documents make good friends”
 - Some cooperatives are document averse to the point of taking pride in being “anarchic”, though the word has many definitions
 - Regardless of political stances of members, it is important to remember we currently operate within capitalism and that financial literacy is a good thing

Strategic Planning

- Ways to make strategic planning effective
 - Excellent documentation
 - Fix plans in the bylaws
 - Make dedicated bank (credit union!) accounts
 - Have a board that represents multiple generations/cohorts of members
 - Have community board members
 - Acknowledge natural cycles when planning
 - Example: Might focus more on education and house dynamics after purchasing a new house or renovating rather than immediately making more purchases

Budgeting and Finances

- Every cooperative should have an annual budget
 - Compare last year's actual income and expenses to what was budgeted
 - Create next year's budget based on:
 - Current or last year
 - Inflation
 - Anticipated irregular sources of:
 - Income
 - Expense
- Values exercises

Cash Flow of Example Co-op

Income	Fee for one	Fee for all	Expenses	Monthly Cost	Annual Cost
Small Doubles (10)	260	2600	Utilities	2959	35508
Large Doubles (12)	290	3480	Managerial	600	7200
Singles (7)	335	2345	Taxes	820	9840
Parking (10)	17	170	Newspaper	55	660
Food Plan (25)	45	1125	Food Subsidy	475	5700
Monthly Subtotal		9720	CPMC	632	7584
Annual Income		116640	Monthly Subtotal	5541	
			Annual Expenses	66492	
Annual Profit		\$50148			

Budgeting

- Determining what to do with profit
 - $\approx \$50,000$
- Percent goals
 - 25% for cooperative development
 - 20% for maintenance
 - 10% for training and education
 - 5% for outreach
 - 40% at discretion of current members

Hypothetical Budget

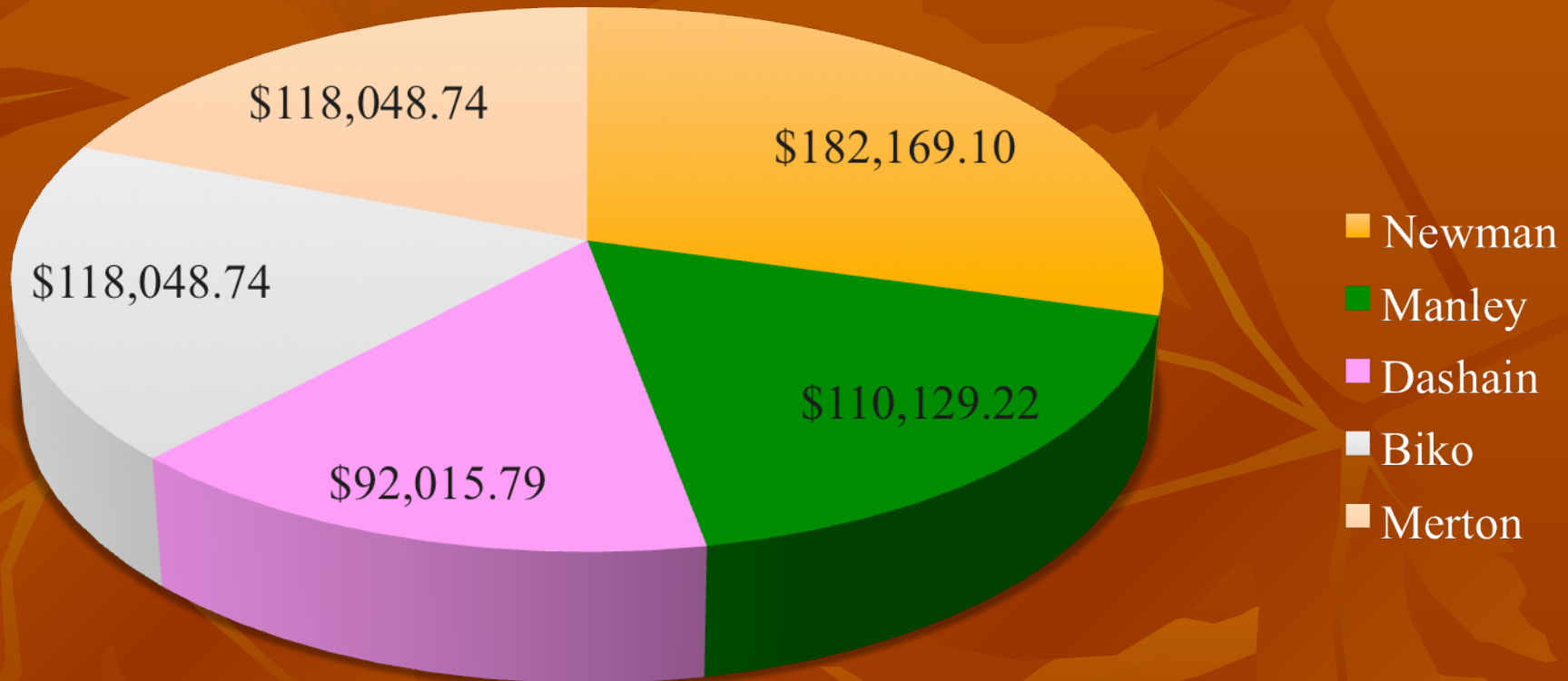
- Hypothetical budgeting

# of Units	Unit Type	Rent	Monthly Total	Annual Total
14	Double	\$600	\$8,400	\$100,800
6	Single	\$800	\$4,800	\$57,600
Total Income			\$13,200	\$158,400

		Monthly Cost	Annual Cost	Running Total
Utilities	Electricity	\$233	\$2,800	
	Trash	\$200	\$2,400	
	Water	\$208	\$2,500	
	Natural Gas	\$92	\$1,100	
	Internet	\$250	\$3,000	
	Telephone	\$0	\$0	
	Newspaper	\$0	\$0	
Subtotal		\$983	\$11,800	\$11,800
Board (Food)		\$2,200	\$26,400	\$38,200
Maintenance		\$417	\$5,000	\$43,200
Education & Events		\$417	\$5,000	\$48,200
Legal and Accounting		\$417	\$5,000	\$53,200
Property Taxes		\$1,000	\$12,000	\$65,200
Other Expenses	Office Supplies			
	Income Tax			
	Staff			
	Loans			
	Vacancy			

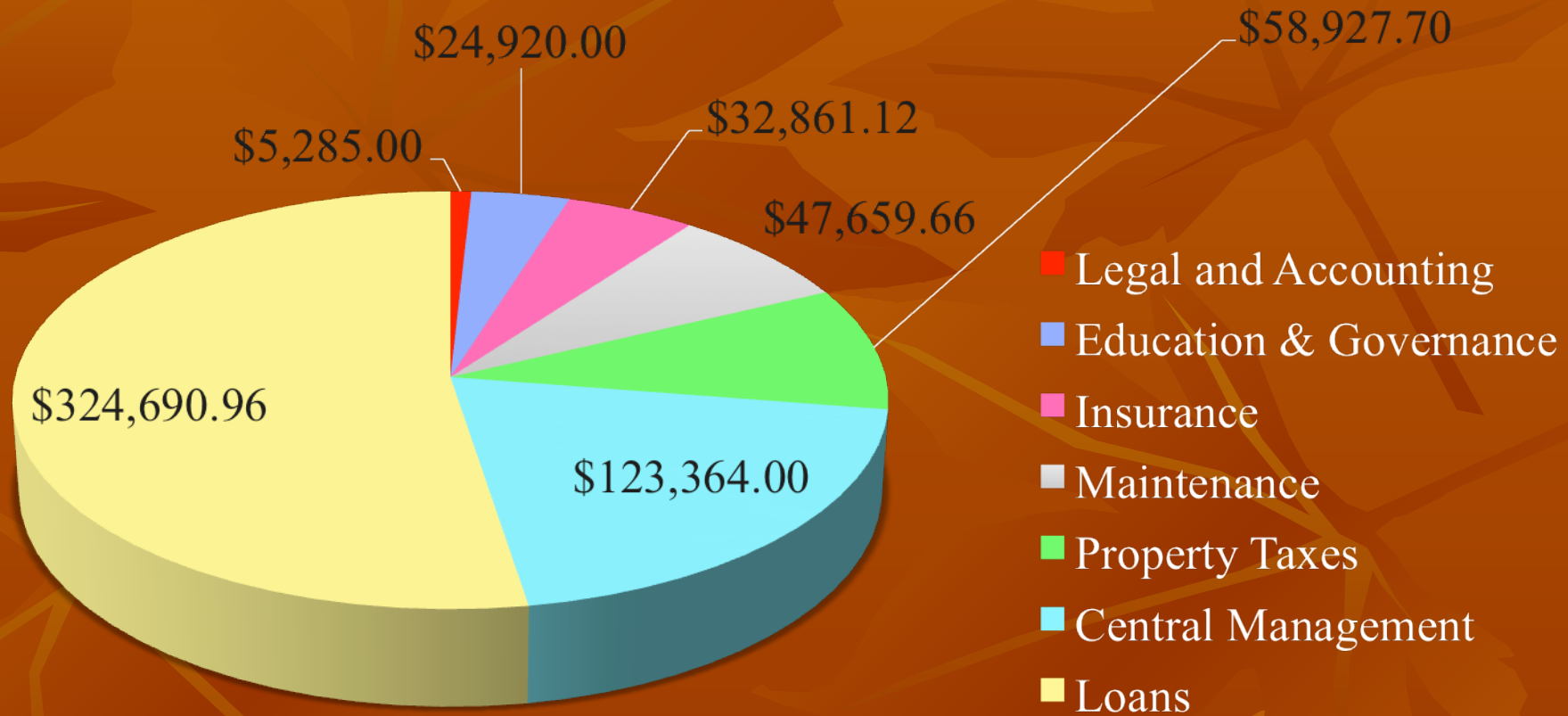
2015-2016 Budgeted Income By House

\$620,411.59 Total



2015-2016 Budgeted Expenses

\$617,708.44 Total



Financing

\$1,302,775 Annual Income
\$10,000,000 *Loan Amount

Theoretical Annual Budget for Las Canoas Based on SBSHC FY16 and Las Canoas Projected Income

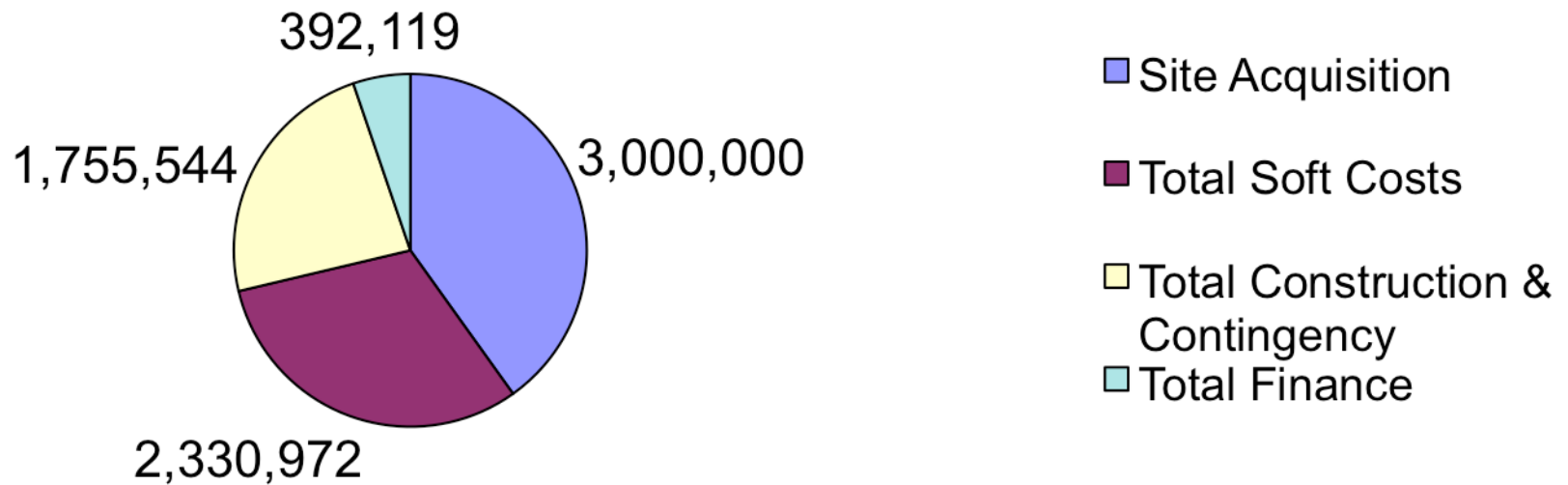
		Bed Price \$800	<i>Bed Price \$850</i>	Bed Price \$900	Bed Price \$1000
Maintenance	8%	\$78,336	\$83,232	\$88,128	\$97,920
Education and Governance	4%	\$39,168	\$41,616	\$44,064	\$48,960
Office and Staff	20%	\$195,840	\$208,080	\$220,320	\$244,800
Property Insurance	16%	\$156,672	\$166,464	\$176,256	\$195,840
Loans	52%	\$509,184	\$541,008	\$572,832	\$636,480
Total	100%	\$979,200	\$1,040,400	\$1,101,600	\$1,224,000

Loan Calculator					
Interest Rate	Loan Period	Monthly Payment	Annual Payment	Total Cost	
2.50%	30 years	\$39,512	\$474,144	\$14,224,352	
3.00%	30 years	\$42,160	\$505,920	\$15,177,745	
3.50%	30 years	\$44,904	\$538,848	\$16,165,609	
4.00%	30 years	\$47,742	\$572,904	\$17,186,951	
4.50%	30 years	\$50,669	\$608,028	\$18,240,671	
5.00%	30 years	\$53,682	\$644,184	\$19,325,578	

- Bank will want to see margins
 - This example happens to be about +25%
 - Will probably reach about 18% with a 4.5% loan

Financing

Relative Shares of Total Cost



Finding the Right People

- Every co-op needs a healthy membership
- Expansion and renovation require dedicated people that are willing, able, and responsible enough to commit months or even years to a particular project
- Fair housing laws
- Easier to select appropriate members than later asking, or forcing, someone to leave

Finding the Right People

- Who does well in community?
 1. People who don't "need" community
 2. Someone with a healthy sense of self
 3. Someone who is open to and able to hear other points of view
 4. Someone with a sense of connection to people and an interest in the well-being of others.

Finding the Right People

- Who does well in community?
- 5. Someone willing to abide by group agreements
- 6. Someone willing to speak up
- 7. Someone willing to be quiet and listen
- Considerations about these traits

Finding the Right People

- Maintain a healthy waiting list
 - Good to be selective
 - Find people who you need
- Select for emotional maturity/responsibility
- Remember the mission of the cooperative
 - You're not social services and trying to be will exhaust members and possibly finances
 - Other organizations probably exist to help with other social and environmental issues



Legal Barriers to Growth

- Conditional Use Permits
 - Property may have only a specific range of activities allowed on it
 - Can be changed, though this will take time and money
- Zoning
 - Many cities have zoning laws and ordinances that effectively prohibit cooperatives
 - Can apply for zoning variance or special use permit

Legal Barriers to Growth

- Historical Preservation Societies
 - Can help and hinder development
- Barriers to sustainability
 - Rainwater catchment laws
 - Greywater laws
 - Compost toilet laws
 - Natural building material laws
 - Lots of restrictions



Getting Around Legal Barriers

- Being friendly with:
 - Neighbors
 - Politicians
 - Fire fighters
 - Police
- Friendly language is your best friend
 - People are probably going to be confused by you but...
 - They will likely support your ideals *if* you speak on their terms

Finding the Right Property

- Proactively searching for property
 - Make it a routine activity
 - Have certain properties in mind
 - Would current zoning allow for a cooperative in the area?

Finding the Right Property

- Finding the appropriate contractors
 - Real estate agent
 - Lawyer
 - Construction contractor
- Loans
- Master leasing

Unconventional Expansion

- Housing cooperatives expand into other sectors
 - Food service
 - Brewing
 - Trade skill
 - Farming
 - Much more! Be creative
- It may be difficult to legally have all these different business types all as one entity
 - Form a parent business
 - Form multiple businesses

Thank you!

Planning for Growth and Renovation



Recommended reading: Diana Leafe Christian, Building a Life Together



1. Voluntary and Open Membership



2. Democratic Member Control



3. Members' Economic Participation



4. Autonomy and Independence



5. Education, Training and Information



6. Cooperation among Cooperatives



7. Concern for Community

