



DC Cooperative Housing Coalition News

Representing the interests of the cooperative community in the District of Columbia since 1984

January - April | 2018

Serving the District's cooperative housing community for 34 years

Networking & Learning May 15

Tuesday, May 15, 2018, 6:00pm to 8:30pm at the University Club of Washington DC, 135 16th St NW, a Networking Reception with an open bar and complimentary appetizers provided by the National Cooperative Bank (NCB).

Following the Networking Reception, all attendees will be able to participate in two periods of Roundtable discussions that will be supported by a facilitator/discussion leader and an individual experienced with the issue to be discussed for the following topics:

- Responding to mechanical and plumbing emergencies
- Enforcing co-op rules
- Communicating with and engaging co-op members within individual co-operatives
- Planning, managing and financing of capital projects
- How to select and manage professional management companies
- Screening new members for financial ability to meet co-op financial obligations

Space is limited and is by registration only first-come, first-serve. There might be a last minute cancellation, so if you want to attend and you have not already registered, contact us by email ASAP to see if there is a vacancy: CooperativesDC@aol.com



Co-ops and the Grim Reaper: What to do when someone dies!

*By Jane Rogers, Partner
Whiteford Taylor & Preston*

Getting word that someone we know has died is always difficult. When that person is a member of our housing cooperative, the loss is often that of a neighbor and maybe a friend. We accept the loss and expect the family of the decedent to take care of the estate, distribute or dispose of the belongings of the decedent, sell the cooperative interest and the cooperative will move on with a new member occupying the apartment. Unfortunately, these matters do not always work out the way we anticipate, and cooperative boards need to prepare for and understand the potential issues that may arise upon the death of one of their members.

A first step is to identify potential issues that a cooperative may have to address upon the death of a member. Because cooperative governing documents are not uniform, there is no one right answer for every situation. However, the following information may help a cooperative board to begin developing the framework for developing its own policies and procedures. Being prepared is always the right answer.

Up-to-date emergency contact information

The first issue a Board may confront is whether there is up-to-date emergency contact information on file for the decedent. If not, the Board may struggle to identify family members or friends of the decedent authorized to do the most basic of things -- such as making funeral arrangements and

dealing with the decedent's belongings. Cooperative members should be reminded of the importance of keeping contact information up to date and of using estate planning instruments to make sure that someone will be authorized to handle their affairs upon their death.



Jane Rogers, guest speaker, at the Coalition's 2017 Annual Meeting

Authorized (and known) occupants

A second issue arises if the decedent was the only authorized (and known) occupant of the cooperative apartment. In that case, the cooperative should secure the apartment (and change the locks, if necessary) until a personal representative has been named to probate the estate. (Cont'd p. 2)

Coalition Acts Against Council "Solar Expansion" Bill Late-breaking News! See Page 4.

Dealing with Death (from p. 1)

It may be that the cooperative has a system in place to authorize access to the apartment to a person designated by the decedent for that purpose. However, the board should be careful to confirm that authority and have a system in place for that purpose.

Family members Beware of family members seeking access. Family members may appear who are not be the rightful heirs of the decedent. Those persons should not be allowed to remove valuable belongings. Cooperative boards should be prepared to allow controlled access for limited purposes only, such as retrieving life insurance information or copies of wills, under the supervision of a board member (preferably two) or authorized cooperative manager.

Documents authorizing a person to act on behalf of the decedent

A cooperative board should always know which documents authorize a person to act on behalf of the decedent. For example, a person holding a power of attorney for the decedent has no authority after the person's death. A will naming a personal representative to handle the affairs of the decedent **does not**, by itself, give that personal representative the right deal with the decedent's affairs until a probate estate has been opened. Until Letters of Administration have been issued to an approved personal representative, the cooperative board should not assume that a will or other document signed by the decedent allows that person to handle the decedent's estate.

Membership interest in a cooperative is not a real property interest

Most cooperative board members understand that a membership interest in a cooperative is not a real property interest. It cannot simply be transferred to another person at death. Board approval is generally required before a person may occupy an apartment. Surviving family members of a deceased cooperative member may not know these basics or

how to properly dispose of the cooperative interest.

Know what the cooperative's documents say The cooperative board should know what the cooperative's documents say about

what happens to a cooperative member's membership interests upon their death. Some documents allow a surviving family member to occupy the apartment. Some documents may include transfer upon death provisions, which allow the sale of the cooperative interest, but do not allow a family member to occupy the apartment without completing an approval process. Each cooperative is different. Knowing what your documents say and establishing internal procedures for handling transfers after the death of a member will prevent misunderstandings and allow for a smooth transfer process.

In the event that no family member takes action to open the estate The cooperative board should also know what the cooperative's documents say should happen in the event that no family member takes action to open the estate. Generally, a cooperative may terminate the interest of a cooperative member when the monthly maintenance fees or assessments are not timely paid. If a member dies and no estate is opened on their behalf and no one pays the fees, the Board needs to be prepared to act to protect the cooperative's financial interests.

The benefits of estate planning

Finally, educating the cooperative membership about the benefits of estate planning and of addressing the transfer of their cooperative interest after death is a worthwhile investment of cooperative resources. Explaining the basics of probating an estate in the District of Columbia, why estate planning is important and educating everyone regarding the transfer after death provisions of your cooperative instruments will go a long way to minimizing problems when the inevitable occurs.

Ms. Rogers presented, discussed, and answered questions about this topic at the Coalition's Annual Meeting, October 24, 2017. As she has explained and written, cooperatives vary in their rules and policies. Consult your cooperative's counsel for the manner in which your co-op should address the death of a co-owner.

Fannie Mae Cooperative Financing Program

*Cullen O'Grady, Vice President
Pillar Finance, A Division of
SunTrust Bank*

According to the D.C. Cooperative Housing Coalition, Washington, DC has more than 15,000 cooperative units. To help co-op associations with their financing needs, the Fannie Mae Cooperative financing program provides underlying loan options for properties in which the residents collectively own the building(s) and property through their shares in the cooperative corporation.

There are multiple benefits for a Cooperative Board in considering the Fannie Mae Cooperative financing program, including:

Flexible Loan Terms: Fannie Mae offers 5, 7, 10, 12, 15, 20 or 30 year fixed rate options. The term generally selected by a Cooperative Board is 15 or 30 Years.

Competitive Pricing: Interest rates are determined with a competitive pricing spread set over the United States Treasury (5, 7, 10 or 30 year) and are fixed and permanent over the term of the loan. Even if short term interest rates increase (projected by The Fed for 3 times in 2018), there would be a gradual move in the short term, as in, rates would "tick up," not necessarily "jump up." Typical interest rates for Cooperative Loans can range in the mid to upper 4% range, pending the length of the term of the loan. Since Cooperative Financing is attractive to Fannie Mae due to its lower risk, interest rates are priced more favorably for Borrowers. (Cont'd. p. 3)

Fannie Mae (from p. 2)Certainty and speed of execution:

Fannie Mae Cooperative Loans are underwritten by Fannie Mae DUS (Delegated Underwriting and Servicing) Lenders. The Lender is directly involved with the Borrower and execution and delivery of the loan to Fannie Mae. Timelines can adjust shorter or longer, pending the Board's timing needs. Fannie Mae also offers a Stream Line

Rate Lock Program which can lock in the interest rate up to 180 Days before loan delivery. This is essential to consider in a rising interest rate environment.

Customized solutions: Loan amounts range from a \$1,000,000 minimum to no maximum. Interest-only options are available as well. Fannie Mae also has a supplemental loan option which allows the Borrower to come back for additional financing, such as a potential additional capital project which may arise later during the life of the loan term.

Green Financing: If the capital improvement renovation plan on the property meets the Green Initiative requirements of Fannie Mae's Green Financing Program, additional price breaks are available.

All Fannie Mae Loans are non-recourse, subject to standard carve-outs which allows the best protection for Cooperative Boards, as the loan is secured only by the collateral or asset. Fannie Mae Cooperative Loans are also available to new Fannie Mae Borrowers who meet the required criteria.

Last year, Pillar Finance (a Fannie Mae DUS Lender), a division of SunTrust Bank and an industry leader of financing solutions for affordable and market rate multifamily properties, originated a \$14 million Fannie Mae

Cooperative Loan to refinance a prominent multifamily co-op property in Northwest, Washington, DC. The fixed rate, 30-year term with a 30-year amortization schedule allowed the Board to complete a large capital

renovations project while spreading their payment over a 30 year term. Very favorable pricing, along with securing an attractive, lower index were locked in for the transaction. Cooperative financing is very appealing to Fannie Mae, as it presents a very low-leverage risk opportunity," said Cullen O'Grady, a Managing Director in Pillar Finance's Bethesda office who originated the loan.

For more information on Fannie Mae Financing for Cooperative Properties, please contact Cullen O'Grady at 240-800-2250 or cullen.ograde@pillarfinance.com.

[NOTE: Pillar is a current sponsor and supporter of the Coalition. However, the Coalition does not endorse products but encourages its members to seek professional guidance to determine what is best for themselves.]

Did you know...

For various historical reasons, co-op ownership has been more common in New York City than condominium ownership. *The New York Times* reported in 2012 that the ratio of co-ops to condo units was about 75 percent to 25 percent. (In the late 1980s, that split was more like 85 percent co-op and 15 percent condo). Today that split looks more like 70 percent co-op and 30 percent condo, as most new construction of for-sale apartments are condominiums. Source: <https://cooperator.com/article/choosing-between-a-co-op-and-a-condo/full#cut>

Recent Coalition e-Surveys

The following surveys were conducted at the request of Coalition members. Thanks to the other Coalition members for helping another co-op by sharing your knowledge and experiences! The questions are broad and interesting and our members always come through!

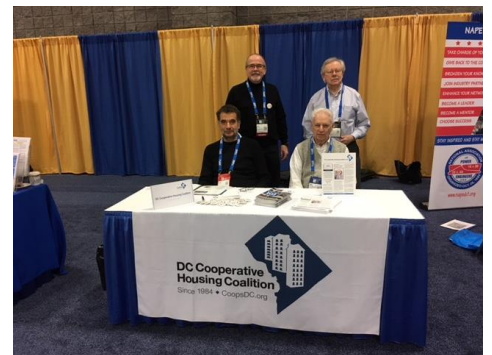
Concierge & Package Rooms (9-2017)
Board Requirements to serve (10-2017)
Buyer Financial Requirement (11-2017)
Elevator Interiors (12-2017)
Employee Holiday Funds (11-2017)
Event Spaces (11-2017)

Financial Management (11-2017)
NEST Smoke Alarms (11-2017)
Brick Pointing (1-2018)
Iron Work (1-2018)
Defibrillators (2-2018)
Leasing & Insurance (2-2018)
Criminal Background Check (2-3-2018)

**Coalition at the CAI Expo!**

Over 2,000 registered attendees and hundreds of exhibitors made a great mix!

On Saturday, March 10, the DC Convention Center was filled with thousands of people taking advantage of the Community Association's (CAI) Expo, the largest gathering of community association professionals in the DC metro area and the largest event across CAI chapters, worldwide! The Coalition was proud to be asked to attend as an Allied Partner, an honor the Coalition has enjoyed for many, many years. (Cont'd p.4)



Four members of the Coalition Board answered questions at the information table: Seated (l-r), Fred Dyda (Tilden Gardens), Art Leabman (1870 Wyoming); standing (l-r): Mike O'Dell (Harbour Square), Steve McKevitt (Beverly Court).

CAI Expo (from p. 3)

Coalition Board members at the our information table talked with many attendees – explaining housing cooperative ownership as well as meeting with management company representatives, lending institutions, energy consultants, etc. who were in interested in serving our members. The Expo was a large and

diverse collection of exhibitors, condos and co-ops and other forms of home owners associations. By the numbers, this year's attendees:

- Total registered attendees: 2,165
- 516 Homeowner Community Association Volunteer Leaders
- 621 Professional Managers
- 58 Business Partners
- 750 Exhibitors – including Management Companies and Business Partners
- 120 Other industry supporters

If you didn't attend this year, there's always next year!

Coalition Acts Against Council "Solar Expansion" Bill

The city Council recently introduced legislation that would require cooperatives to allow their owners or members the right to install a solar energy collection device "...on the owner's or member's property or residential unit, or on the roof of a property or residential unit that only covers one owner's or member's property or residential unit..." The Coalition takes exception to Bill B22-229, the "Solar Expansion for Cooperative Associations Act" and sent the letter, below, to each Councilmember.

The Bill was introduced by Councilmembers Allen (Ward 6), Cheh (3), and Bonds (At-Large) and co-sponsored by R. White (At-Large), Gray (7) and Nadeau (1).

If passed, this legislation would hinder our members' ability to manage and maintain their buildings, seriously affect their abilities to make sound financial decisions about repairs and maintenance, and possibly cause unanticipated liabilities on their residents.

The Coalition issued an email **ALERT!** to all of our members notifying them of this legislation and asked them to send a similar letter on behalf of their individual cooperatives to their Ward and At-Large Councilmembers. If your cooperative has not already done so to make it part of the record opposing this legislation, we urge you to do so as soon as possible!



April 2018

Dear Councilmember:

I am President of the D.C. Cooperative Housing Coalition [DC/CHC], which is a community organization devoted to advancing and protecting the interests of the people who live in more than 100 housing cooperatives comprising approximately 15,000 cooperative units in the District of Columbia.

While we recognize the importance of alternative energy sources, we must oppose Bill B22-229, the "Solar Expansion for Cooperative Associations Act." If passed, this legislation would severely hamper our members' ability to effectively manage and maintain their buildings. It also would seriously affect our members' abilities to make sound financial decisions about repair projects and maintenance, and could impose unanticipated liabilities on cooperative residents.

We are concerned about the proposed legislation for the following reasons:

1. It would allow individuals to make unauthorized changes to collectively-managed residential

buildings, without regard to the interests of the other residents, and without any coordination through the cooperatives' boards, which are legally obligated to provide responsible management and maintenance for everyone's benefit.

2. It could expose a cooperative association and its residents to unforeseen legal and financial liabilities, without allowing the residents to have any input on whether those liabilities should be assumed.

3. It would undermine the basic concept and primary purpose of all cooperative associations, in which the members contribute to the cost of maintenance of their buildings and in which the members should have a voice in deciding what will be installed on the property and what will have to be maintained by the community. For all residents to be liable for costs and potential risks resulting from an unapproved and unilateral installation made by a single resident would be unfair and inequitable.

4. It could jeopardize the value and safety of a cooperative's property by allowing arbitrary and haphazard installations by individual residents that may not be in the best interest of the community as a whole, thereby discouraging prospective purchasers and putting the financial stability of the cooperative at risk.

We oppose this legislation because it would adversely affect cooperative residents throughout the District of Columbia. We believe that cooperatives should be allowed to make their own decisions concerning solar installations in their buildings, in order to protect the interests of their residents.

We would be pleased to discuss this further at your earliest convenience.

Sincerely,

Russ Rader
President
DC/CHC, Inc.
The DC Cooperative Housing Coalition



34 Years Serving the District's Cooperative Housing Community

The D.C. Cooperative Housing Coalition exists to advance the common interests of cooperative housing associations in the District of Columbia and promote cooperative housing as a desirable form of home ownership. It is therefore both an advocacy organization that articulates the interests of members before government officials and regulatory agencies and a service organization that provides information and education to members.

Membership is open to all District housing cooperatives, regardless of size. A volunteer board of directors, elected by member co-ops, governs the Coalition. At least five seats on the board must be filled by representatives of small (50 or fewer units) cooperatives. Activities are financed through annual dues determined by the members at the annual meeting.

The Coalition grew out of an ad hoc group of District cooperatives that formed in response to a judicial ruling that had cast a cloud over many cooperatives by banning proportionate voting. By marshaling the forces of more than 3,000 units, the ad hoc group persuaded the D.C. City Council to resolve the matter. Recognizing the

importance to the cooperative housing community of speaking in a single voice and maintaining the ability to respond quickly and knowledgeably to matters affecting cooperative housing, the ad hoc group decided to form a permanent organization. The Coalition was established in 1984. In 1993, it was incorporated as the DC/CHC, Inc., a nonprofit 501(c)(6) organization in the District of Columbia.

The Coalition's most important accomplishment was its work toward the passage of the Cooperative Housing Procedure Act of 1988 (D.C. Law 7-205), a law that provides for uniform procedure and an equitable formula to assess real property owned by cooperatives. Up to that time, the District did not have a prescribed method to estimate fair market value, and as a result the assessments were arbitrary and unpredictable. It also successfully opposed a move to charge each cooperative association \$3.00 per unit to fund a new government agency to oversee cooperatives and condominiums.

It testified before the City Council in support of a recycling tax credit in lieu of the city collecting recyclables and successfully opposed a 50 percent reduction in the trash collection tax credit, which cooperatives and condominiums receive in lieu of the city collecting their trash.

At the heart of many of these efforts was the defense of cooperatives before the City Council to maintain parity between cooperative homeowners and single-family homeowners rather than to be treated as rental complexes. Perhaps most important, the Coalition successfully defended the assessment system it had worked hard to put in place in 1988

when it warded off proposals to change the system in recent years.

The Coalition has co-hosted mayoral candidate forums and recognized Council members who work on behalf of the interests of housing cooperatives. It has also promoted public awareness and interest in cooperative ownership by sponsoring events, most notably two Smithsonian tours of several D.C. housing cooperatives; first in 1995 to mark the 75th anniversary of the first housing cooperative in the District and again in 2006.

One of the most important benefits Coalition members receive is timely information. The Coalition has conducted seminars and issued newsletters covering topics as diverse as elevators, rentals, taxes and oil and gas bulk purchasing agreements, among others. As a consequence, members receive information that enables them to anticipate and address changes affecting their operations. In 2012, the Coalition prepared and published *Co-ops 101*, a well-received booklet to assist buyers, sellers, and the Realtors who represent them, among others interested in market-rate cooperatives.

In anticipation of the 100th anniversary of the first housing cooperatives in the District of Columbia (1920), the Coalition has commissioned a book describing the development of cooperative living in DC.

With 34 years of history, the Coalition remains the premier organization devoted to advancing and protecting the interests of the owners of the approximately 15,000 cooperative units in the District of Columbia with an aggregate assessed valuation exceeding \$3 billion.

Board of Directors

President

Russ Rader
The Westmoreland, 60 units

Vice President

Lynn Ohman
Shoreham West, 60 units

Secretary

Art Leabman
1870 Wyoming Avenue, 28 units

Treasurer

Dottie Moskowitz
Tiber Island, 389 units

Directors

Fred Dyda
Tilden Gardens, 170 units

Stephen McKeivitt
Beverly Court, 39 units

Spring Worth
Madison Terrace, 44 units

Michael O'Dell
Harbour Square, 447 units

Ray Olson
River Park Mutual Homes, 518 units

Nancy Skinkle
The Broadmoor, 194 units

Janet Sten
3020 Tilden Street, 20 units

Katie Wilson
Cathedral Avenue Cooperative, 145 units

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About DC/CHC, the Coalition

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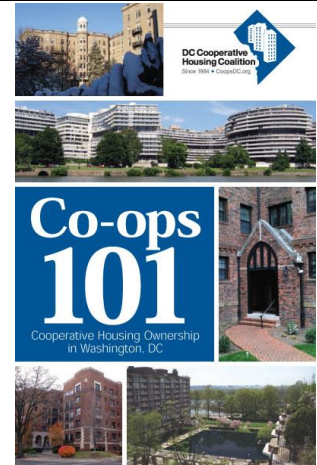
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The Coalition was established in 1984 and was incorporated as DC/CHC, Inc., a nonprofit, IRS Code Section 501(c)(6) organization in the District of Columbia, May 24, 1993

www.CoopsDC.org

The first place to look for a service provider



Co-ops 101 Free download:

<http://coopsdc.org/wp-content/uploads/2014/07/Co-ops101-PDF.pdf>

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Member Profile Page

Does your cooperative have its own dedicated page on the Coalition's website? It's free and it is one of the Coalition membership benefits. See what your co-op is missing at <http://coopsdc.org/members/> and click on members with names in bold. **Don't let your co-op miss out on this members-only benefit**