

**“In order to create a new nation we have to begin with an education that liberates people. Only through knowing their past and their present, only through understanding and analyzing their reality, can people choose their future. Only in the process can people fulfill their human destiny as makers of history and commit themselves to transforming that reality”**

**-Fr. Fernando Cardenal,  
Nicaragua Literacy Campaign**



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**\$10.00**

# **BUILDING by BUILDING**



## **A Tenant Leadership Manual**

**“Let the disenfranchised vote, let the silenced be heard, let the oppressed be empowered, and let the marginalized move to the center..”**

—Ms. Ella Jo Baker

# Housing in Shaw

## Let’s Face It

Shaw is one of the most beautiful areas in the District, with deep history, funky and nostalgic old buildings and treasures, offering great convenience and transportation to downtown. Unfortunately, Shaw—**OUR NEIGHBORHOOD**—is also the door through which the wealthy are coming back in to the City and the long-time, low-income and working poor residents are going out, or being thrown out.

### SOME SAY:



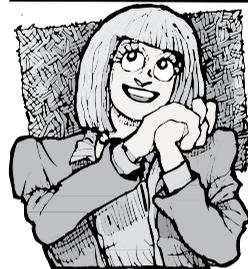
“Look at how our years of planning are revitalizing the neighborhood. This will finally be a good neighborhood!”

### WE ASK:



“Revitalized for whom, good for what, why didn’t these changes happen in the last 20 years when it was just us here? How are low-income Shaw residents benefiting from this?”

### SOME SAY:



“New housing is here, apartments, houses, condos!”

### WE ASK:



“How much do they cost, do they accept vouchers, are they affordable?”



## REALITY CHECK #1: The Facts About Housing in Shaw

- A house that used to cost \$105,000 now costs about \$300,000 or more
- The average price of a house in Shaw went up by 50% in only three years, between 1999 and 2002, and it keeps going up
- Affordable rent for low-income working folk in Shaw is \$620, current rents are at \$1,000-\$2,000
- If you earn \$8 an hour, you’d have to work about 100 hours a week to afford rent in Shaw that’s not subsidized by the government.

# Section 8

Back in the 1970’s, when the government was still trying to do something to end poverty, the Federal Government created Section 8, a program under HUD (Housing and Urban Development), to insure that very low-income tenants and the working poor could live in buildings owned by private landlords. There are 2 types of Section 8, Project Based and Individual Vouchers.



## Project Based Sect 8 (The APARTMENT BUILDING is affordable)

Long-term subsidies were given to help private owners build apartments, and HUD agreed to help pay the rent for any low-income renter who moved into the building. There are 16 such buildings in Shaw:

- |                           |                              |
|---------------------------|------------------------------|
| 1. 1330 7th St. NW        | 9. Lincoln Westmoreland II   |
| 2. 15th St. Co-op         | 10. Museum Square            |
| 3. Asbury Dwellings       | 11. Northwest Cooperative I  |
| 4. Campbell Heights       | 12. Northwest Cooperative II |
| 5. Foster House           | 13. Portner Place            |
| 6. Gibson Plaza           | 14. R Street Apartments      |
| 7. Kelsey Gardens         | 15. Ritch Homes              |
| 8. Lincoln Westmoreland I | 16. Washington Apartments    |

The initial long-term contracts that the Federal Government had with these buildings insured Sect 8 for 20 years. For many of these buildings, the 20 years are up...which means: **THE OWNERS DON’T HAVE TO KEEP THE BUILDINGS AFFORDABLE ANYMORE!!** They have the **RIGHT TO OPT-OUT OF SECT 8**, and in parts of DC, some already are...



## Individual Sect 8 Vouchers or “Housing Choice Vouchers” (INDIVIDUAL person gets help)

Initiated during the Reagan Administration to “allow for individual right of mobility,” which to low-income folk and the working poor means...

*Fooling people by telling them it is their choice to move anywhere they want... when many owners in “good” areas choose not to accept vouchers*

A VERY smart move on the part of people who don’t believe in a right to housing. The government got out of building affordable housing, and most tenants

## Models of Tenant Ownership (cont'd.)



### COOPERATIVE:

"Group ownership"

#### Money out of your pocket:

Small (usually about the same as a security deposit)

#### Who's in control:

The coop association (formerly known as the tenant association).

In this form of ownership, tenants own the whole building as a group. Individuals control their units, but do not own them individually. Each resident would pay a monthly fee (about the same amount as rent would be in an apartment) that covers part of the mortgage payment for the whole building. Residents who have Section 8 can usually continue to use Section 8 to pay for their monthly fee.



### PARTNERSHIP:

"Co-owning with a developer"

#### Money out of your pocket:

None.

#### Who's in control:

The Developer and the Tenant Association.

In this form of ownership, the building stays a rental. Individual tenants continue to rent their apartments. However, the Tenant Association is now a part-owner of the building with a developer that you have selected. During the development process, the Tenant Association negotiated certain rights and responsibilities (like money for programs, the right to hire a management company, and what improvements get made in the building).



### CONDOMINIUM:

"Individual ownership"

#### Money out of your pocket:

Moderate to large (each resident has to qualify for an individual mortgage)

#### Who's in control:

Individual residents and the Condo Association (made up of condo owners).

In this form of ownership, individuals buy their unit separately. They pay a mortgage on their unit, along with a Condo Fee. The Condo Fee helps to keep up common spaces (like hallways, lobbies, etc.)



### ASSIGN RIGHTS TO A DEVELOPER:

"The 'No-Ownership' Option"

#### Money out of your pocket:

None.

#### Who's in control:

A new Developer who you have chosen.

If you decide that this is all too much for you, you do have one final alternative. The Tenant Association can select a developer to buy the building, and then give all of the Tenant Association's rights to this developer. However, the Tenant Association then has no say over how the developer runs the building or the decisions that get made.

## Selecting the Model that Fits: What Works for Us?

Different tenant purchase models achieve some different goals. After you've understood all of your options, think about the goals that you have for your building. Below we've listed some goals that each ownership type achieves...

MODEL	WHAT YOU GAIN	WHAT YOU LOSE
Limited Equity Cooperative	<ul style="list-style-type: none"> <li>✓ No displacement of current residents</li> <li>✓ Apartments stay affordable, you can still use Sec.8</li> <li>✓ Individuals have to put very little to no cash down</li> <li>✓ Residents have control over the building operation through the Co-op</li> <li>✓ Individuals have control over their units within the rules of the Co-op</li> <li>✓ Residents can stay permanently</li> </ul>	<ul style="list-style-type: none"> <li>✗ Little profit when you sell</li> <li>✗ Limited individual control</li> </ul>
Condominium	<ul style="list-style-type: none"> <li>✓ Individual residents own and control their own unit</li> <li>✓ Individuals can make a profit when they sell their unit in the future</li> <li>✓ Residents have control over the building operation</li> </ul>	<ul style="list-style-type: none"> <li>✗ Residents have to come up with a cash down payment and must qualify for an individual mortgage</li> <li>✗ Some cannot afford to buy, some current residents will be displaced</li> <li>✗ You cannot use Sect. 8 to pay for your unit</li> </ul>
Rental Partnership	<ul style="list-style-type: none"> <li>✓ No displacement of current residents</li> <li>✓ Apartments stay affordable, you can still use Sect. 8</li> <li>✓ Individuals don't have to put any cash down nor qualify for mortgages</li> <li>✓ The Tenant Association can negotiate for some control over bldg. operation</li> <li>✓ Residents can stay permanently</li> </ul>	<ul style="list-style-type: none"> <li>✗ Control over building shared w/developer; tenants do not have full ownership over the building</li> <li>✗ Individual residents continue to rent their units, no individual control over your apartment</li> <li>✗ No profit when you leave</li> </ul>

Throughout this process, the Tenant Association plays a key role in major decisions about rents, what type of improvements get done to the building, and who gets to manage the property. You will hire development consultants for your team to do more technical work, like evaluating the physical condition of the building and its electrical and plumbing systems, and applying for loans and grants.

**But remember, these team players WORK FOR YOU!** If they are doing things you don't understand, make them stop and explain it until you get what's going on.

The steps in the Tenant Purchase Process are outlined below. The timeline is guaranteed under the D.C. Law so that a purchase by tenants is realistically possible. Now let's meet some of the people YOU will hire over this two year period.

## Give Me a T-E-A-M: And Introducing, the Members of Your Development Team!!!

Again, remember that these folks work for you. You want to find development team members with relevant experience and who understand how to work with tenants. Your DEVELOPER may recommend team members, or you may find them on your own.

**The Architect:** The architect is responsible for evaluating your building, recommending the amount and types of work that need to be done, and creating "plans and specifications" that describe this work in detail.

**The Engineer:** Engineers look at the mechanical, electrical, and other systems in your building in more detail and make recommendations about what needs to be done to them.

**The Environmental Consultant:** The Environmental Consultant checks your building for things like lead paint, asbestos, or other health hazards that would need to be fixed during the renovation.

**The Attorney:** The Tenant Association should have its own Attorney to represent the tenants' interests in ownership discussions and negotiations and to look out for the tenants' legal interests. If you decide to own with a partner, there will also be an Attorney who works for the partnership to negotiate contracts and legally create the new partnership.

**General Contractor:** The General Contractor is hired to do the renovation and construction work on the building.

**Property Manager:** The Property Manager comes up with the operating budget for the building (including things like security, landscaping, front office staff, etc.) and after the building is bought, the Property Manager oversees day-to-day operations at the building.

**Lenders:** Your Lenders will loan you the money to make your project happen. Banks and the city government are the ones who usually provide the mortgage loans.

**Investors:** Private Investors put money into the project (if it is a rental partnership), buying them some long-term ownership in the project. However, Investors are "silent partners" and are not main decision-makers at the building.

## Steps in the Tenant Purchase Process (Sample dates)



**January-February Year 1**

Collect signatures from tenants interested in exercising First Right to Purchase. Register with DC conversion office.



**March-May Year 1**

Select your development team to work with the Association:

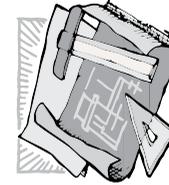
- Developer partner
- Architect
- Lenders

Evaluate "feasibility", by looking at the costs required to buy and renovate, and where that money would come from. Borrow money for contract deposit. Determine type of ownership you want to pursue.



**June Year 1**

Sign the building purchase contract.



**July Year 1 - February Year 2**

Determine what needs to be fixed/ repaired, where the funds will come from and the management plan.

1. Complete evaluation of building by engineers and architect
2. Draw up detailed plans for renovation; hire contractor
3. Make applications to private lender, city housing dept., private investors
4. Select management company



**February Year 2**

"Closing", that is, purchase the building



**March Year 2 onward, for 12 months**

Do renovation. Start of new Management Plan. Tenants begin involvement in management oversight.

Continue to organize the Association so it can democratically make decisions for all residents