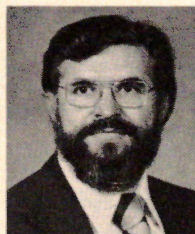
# VIEWPOINT

Daniel Lauber


Jesus Hinojosa

Revive the low-equity housing cooperative programs, argue Daniel Lauber and Jesus Hinojosa. Lauber is a housing consultant in Evanston, Illinois. Hinojosa, AICP, teaches urban and regional planning at Texas A&M University in College Station.

As federal housing policy continues its journey into the twilight zone, and the housing needs of low-, moderate-, and now middle-income households become more acute (as noted in January's special issue on housing), programs that supported low-equity cooperatives, the most successful federal housing programs in the nation's history, continue to lie dormant.

High costs didn't undo them. Unlike the rental subsidy programs, which produced high rates of foreclosure, the low-equity cooperatives created under Section 213 of the Housing Act of 1950 have had such a low default rate that HUD has returned over $32 million in mortgage insurance dividends to Section 213 cooperatives since 1970. It was politics that did in the low-equity co-op programs established by Section 213, Section 221(d)(3) of the Housing Act of 1961, and Sections 202 and 236 of the Housing Act of 1968. And the reason is that they did their job too well. They put taxpayers' money directly into housing rather than into the pockets of the housing middlemen: developers, real estate people, title insurers, landlords, lawyers. Sidestep this powerful lobby and nobody in Congress or the White House will go to bat for you. Even though many of the co-op programs are still on the books, the Reagan administration has chosen to curtail their implementation and funding.

**Low-equity cooperatives** control housing costs by keeping the single largest cost of homeownership, mortgage debt service (30 to 50 percent of monthly ownership costs), constant even when units change hands. Co-op purchasers own shares in the cooperative association that actually owns the property. The bylaws of limited-equity co-ops typically limit increases in resale price to some rate less than inflation. Since only a share in the cooperative association is sold, the mortgage on the building is not affected. This form of ownership keeps the largest component of ownership costs—mortgage debt—constant. Thus housing designed for low-income households continues to be affordable to low-income households without additional government subsidy.

Housing vouchers and programs like Section 8 that retain conventional forms of ownership continue to treat housing as a shelter from taxes for developers and other investors. Not only do we pour direct federal subsidies into these programs, but the federal treasury loses tax revenues.

**It is time to return** government-supported housing to its most basic function: shelter from the elements. The District of Columbia's tenant purchase assistance program, to cite one example, has shown repeatedly that the conversion of rental units to low-equity cooperatives requires only a one-time, per-unit government subsidy—averaging $3,000 a year. Section 8, which still treats housing as an investment vehicle, costs taxpayers as much as $3,000 per unit each year. (See "The Promise of Co-op Housing," June 1979.) It's time to turn off the middleman's spiggot and put the limited funds available for housing where the need really is.

Planners are just about the only actors on the housing scene who represent the public interest. We'd only be doing our job, and doing it well, if we worked to persuade elected officials at all levels of government to make limited-equity cooperatives a cornerstone of our nation's housing policy. While we may lack the funds to provide decent housing for every American, we can at least turn the tide for millions more if we revive the most successful housing programs this nation has ever known.

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