

NOTES

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FROM WORKER COOPERATIVES TO
SOCIAL HOUSING:
THE TRANSFORMATION OF THE THIRD
SECTOR IN DENMARK

Neal Richman

Danish nonprofit housing, operating under the authority of resident-elected councils, appears to be much more like cooperative housing than like the hierarchic social housing dominant throughout Western Europe. This unusual commitment to "resident democracy" is not simply the result of benevolent national policy-making. Rooted in labor politics of the 19th century, the Danish cooperative housing movement has had an enduring effect on how dwellings are produced, distributed and managed within the country. The way in which these early cooperative housing efforts have come to shape Denmark's substantial third housing sector can be claimed as a well-deserved co-op success. However, a deeper examination of "the hidden history" of Danish housing co-ops yields a more complex and challenging story which provides lessons about both the opportunities and risks associated with state supported expansion of the cooperative housing sector.

One of the major lessons of the Danish co-op story is that there is an alternative to privatization with individual speculation of ownership shares, as experienced in Sweden. Denmark's co-op sector has faced many of the same challenges as Sweden's but has chosen a different route. Thus, expansion of the co-op sector need not occur under a Faustian bargain in which all is relinquished to market forces. This does not mean that other compromises in the cooperative form may not have to be made.

The aim here is to examine how Danish national policy and institutional arrangements, shaping the non-profit housing sector as a whole, have altered the essence of cooperative housing. The result has been a near merger of cooperative and non-profit housing creating a single third stream form. The analysis begins by briefly describing the evolution of Danish cooperative housing from its beginnings in a series of worker initiatives to its assimilation within a mass-based housing program for Denmark's postwar economic and social recovery. Unlike the U.S., where the dominant real estate institutions primarily supported

the expansion of ownership and private rental tenures, in Denmark a broad coalition of interests formed around national efforts to promote resident-based housing, sponsored by cooperative associations.

THE EVOLUTION OF COOPERATIVE HOUSING ¹

The first nonprofit housing project in Denmark predates the first worker-initiated housing cooperative. The Doctors' Union Dwellings were developed in the Copenhagen area in 1853 as a response to a widespread cholera epidemic. An association of physicians sponsored the construction of the flats as housing for the lowest income residents in what was then a green area on the city's outskirts. The project soon provided occupants with a full range of community services, such as a collective market, a library and resident-center. But this philanthropic approach to addressing housing need was short-lived. Nonprofit, self-help associations emerged, primarily with the backing of the labor union movement, to provide affordable housing for their members, working people who were not necessarily in the poorest stratum of Danish society.

In 1865, a group of workers with one of Denmark's largest industrial employers began the first cooperative building society, The Workers' Building Association. Men, women and children participated in the Association by making weekly contributions to a mutual savings society which produced affordable housing. The workers and their families gained access to a unit by drawing lots. It was the high quality of the housing, more than the number of dwellings produced through these efforts, which captured the imagination of other labor groups and spurred co-op activity.

In 1912, responding to the collapse of the rental housing market, the leader of a union of building carpenters in Copenhagen, Jens Christian Jensen, became active in an effort to create housing and jobs for laborers. The Workers Cooperative Housing Association (Arbejdernes Andelsboligforening—AAB), was established as the first social housing corporation structured as they are today, and quickly began housing production. Over the next eight years, the firm was joined by a number of new associations entering the field of cooperative housing, mostly in the Copenhagen area.² In 1919, the new co-op associations joined with public benefit housing corporations to form a national "umbrella organization," the National Association of Non-Profit Housing, (Boligselskabernes Landsforening). This still operates and maintains broad-based support from the nation's housing organizations.

Between 1922 and 1927, the state began to provide some limited financial support for this emerging group of nonprofit housing associations. Guidelines for the bylaws of social housing companies were established by national government in 1933. To be eligible for state support, organizations had to conform to a number of conditions set forth in these standards, including a commitment

to nonprofit operations. One of the goals was to end speculation of the co-op dwelling units after their sale to members. Five years later, a housing allowance program for large families was enacted, stimulating production of new dwellings for occupants with children.

According to a number of analysts, such early state actions supporting cooperative housing initiatives were not what they seemed. Similar to the analysis of U.S. housing policy during the Great Depression in that country, Danish efforts are seen as an effort to mitigate depression-era unemployment rather than the establishment of housing programs per se (Vestergaard, 1985, 10; Ball et al, 1988, 47-48).³

Further groundwork was laid for expanding cooperative housing initiatives during the post World War II period. Widespread housing shortages occurred as the Danish population increasingly sought housing in the urban areas. Yet, throughout Europe in the years after the war, private housing producers were unable to respond, being incapable of serving the upper and middle classes much less the poor. The postwar instability in sources of credit and systems for delivering building materials contributed to this breakdown in private housing provision (Ball et. al., 1988, 49-51).

Since the Danish government had assumed a high level of control over housing rents and other commodities in short supply during the war, extending power into housing production during this period of market failure was a reasonable response to potentially volatile social pressures. Simply encouraging private, speculative housing production during a period of widespread undersupply could have sent prices skyrocketing, contributing to political discontent. In addition, high investment in housing consumption would have drained the nation's limited capital resources which were needed to finance the production of exportable commodities. A vehicle was needed for providing housing for the middle and lower classes which did not stimulate inflation. Danish cooperative housing associations, as a means of producing dwelling units at reasonable standards for a broad spectrum of the population, appeared perfectly suited to the task at hand, rebuilding Denmark socially and economically.

THE COOPERATIVE ORGANIZATION OF DANISH NONPROFIT HOUSING

During the postwar period, other forms of nonprofit housing provision also quickly began to take on more and more of the qualities of the cooperative housing associations. With the values of social egalitarianism deeply rooted in Danish culture and religious philosophy (e.g., N.F.S. Grundtvig), the landlord-tenant model (even with a nonprofit owner) lacked legitimacy as a vehicle for operating directly subsidized housing. As John Greve has written, cooperative housing began to set the standard for the other forms of nonprofit provision:

With the passage of time and the evolution of the various forms of housing association...as well as their increase in numbers, the influence of one form on another became more reciprocal—aided by the regulations, financial terms, and safeguards imposed by successive pieces of legislation. Thus, by the 1950s, although the cooperative housing associations...had not changed their aims and rules substantially, it was possible to discern a degree of assimilation to the methods of organization and operation employed by the social and public benefit housing associations (Greve, 1971, 29).

The result is that to qualify for support, nonprofit providers must establish each residential project produced as a legally independent entity under direction of a management council, composed entirely of residents elected by the housing occupants. Furthermore, in all forms of nonprofit housing, residents have the power to select the majority of representatives overseeing the parent housing association, which acts as project developer and, typically, property manager. The individual project councils are linked in different ways to the parent association but maintain considerable local decision-making authority insofar as their actions are consistent with national regulations and organizational bylaws.

Under such requirements the Danish nonprofit housing stock—including cooperatives and public benefit corporations—has grown to approximately 400,000 units. This current inventory represents nearly 20 percent of the total Danish residential stock, and is roughly equal to the size of the nation's private rental inventory (Ølgaard, 1988, 268). These nonprofit units are distributed over 5,000 projects, each of which is tied to one of the nation's 650 housing associations (Salicath, 1987, 50). The associations tend to be regionally based, with only a few organizations operating nationwide.

The fusion between cooperative housing and other forms of nonprofit development has left them almost indistinguishable from one another; nonetheless, the nonprofit sector (including co-ops) is divided here into three categories reflecting the origin of each form of housing provision.

THE COOPERATIVE SOCIETIES, "BOLIGFORENINGER"

The cooperative society was the form first established by the Workers Cooperative Housing Association in 1912 that was subsequently adopted by many other groups. In this type of association, the residents and applicants on the waiting list must acquire memberships in the organization. Through this membership, they are entitled to elect, either in general meetings or through representatives, members of the supervisory board which oversees the operation of the parent organization. In all cases, the shareholders are prevented from realizing appreciation on their membership share. This association form is used by 39 percent of housing associations, which manage 43 percent of all

units (Salicath, 1987, 51). About one-half of these organizations have 200 units or less under their administration (Vestergaard, 1985, 17).

THE SELF-GOVERNING ASSOCIATIONS, "BOLIGSELSKABER"

Under the self-governing association, local government has ultimate authority but devolves power to tenant representatives from the individual projects. Overseeing the parent association is the supervisory board with a majority of representatives chosen by the local residents. Other seats may be reserved for appointments by the municipality, local trade unions and sometimes the organization's own employees. This structure is utilized by approximately 55 percent of the housing associations, which manage 45 percent of the nonprofit units (Salicath, 1987, 51). The average size of one of these organizations is 600 units (Vestergaard, 1985, 17).

THE JOINT-STOCK COMPANIES (OR GUARANTEE COMPANIES)

Joint stock or guarantee companies were established with capital investment from labor unions or other socially-conscious investors willing to limit returns to five percent per annum. Again, a majority of seats on the supervisory board are elected by the housing residents. Only six percent of the housing associations are guarantee companies but they operate approximately 12 percent of the nonprofit inventory (Salicath, 1987, 52). Turning away from the use of limited dividend companies, state law no longer authorizes the establishment of new associations with this structure.

In Table 1, the position of the three types of nonprofit housing is outlined in relation to the sector as a whole. It is interesting to note that the cooperative societies have a higher percentage of units than one might project from the number of cooperative organizations. This is related to the presence of some large nonprofit cooperative developers, especially in the Copenhagen area, which have grown very rapidly in the postwar era.

Table 1. The Distribution of Danish NonProfit Housing by Organizational Structure on the Basis of Percentage of Total NonProfit Housing Providers and Total NonProfit Dwellings in 1987

Type of NonProfit Housing	Percentage of Total Providers	Percentage of Total Dwellings
Housing Cooperatives	39	43
Self Governing Associations	55	45
Joint Stock or Guarantee Companies	6	12

Source: Salicath, 1987: 51-52

With regard to all three forms of nonprofit housing, a "resident democracy" program has been adopted in 90 percent of all project sites (Salicath, 1987, 61). Under this program, residents and their representatives have broad decision-making powers with regard to supervising daily operations and maintenance, establishing budgets, for allocating common costs such as heating and electricity, and determining priority for repairs, improvements and renovations. Resident selection and the hiring and firing of administrative staff remain under the purview of the parent corporation's supervisory board.⁶ Also the individual project councils typically do not have the right to choose a manager other than that provided or designated by the parent development corporation.

Another outgrowth of this sector's cooperative roots has been its commitment to high physical standards for individual dwelling units and supporting collective services. Hardwood floors, finely designed cabinetry, and private balconies are standard amenities. Furthermore, to receive government support, project site plans are required to provide a minimum level of communal facilities. Most developments go far beyond the bare requirements of providing playground equipment and a community meeting room. Sometimes space for workshops, child care centers, libraries, and common eating facilities are incorporated in project designs.

Yet, despite an organizational structure which indicates that the cooperative structure has become infused into the social housing system, closer examination suggests that much of the autonomy of the Danish cooperative housing sector has been sacrificed. In the next section, we explore how the dominant national policies and institutional practices in shaping nonprofit housing provision have, in turn, altered some of the fundamental characteristics of Danish cooperative housing.

HOW THE DANISH COOPERATIVE FORM HAS BEEN ALTERED

The bottom-up origins of nonprofit cooperative housing have in important respects been subsumed under a top-down institutional and policy structure for implementing a nationwide program. For example, cooperatives and the other forms of nonprofit provision have been under pressure to serve as a second class, "residual" housing alternative, primarily for the lower economic groups. Further examples include:

- Key decisions involving design and construction methods were taken away from cooperatives by state action with the aim of rationalizing production and boosting a fledgling building industry.
- The central principle that housing cooperative members would only pay the economic costs of providing their housing was abandoned as policy makers sought to make the allocation of nonprofit housing more efficient.

- Cutbacks in public funding and the allocation of remaining resources to well-established nonprofit providers have undermined the potential of grassroots experimentation.

Dictating Construction Standards

In 1947, the Ministry of Housing and the State Building Institute were established and quickly embarked on a joint project to support advancements in industrialized building systems as a means for constructing nonprofit housing (Svensson, 1988, 7; Haywood, 1984, 182). With such government sponsorship, strong institutional ties began to be formed that linked Danish nonprofit housing production to industries seeking to rationalize the construction process. Although utilization of these new concrete-based technologies expanded throughout the 1950s, it was with the impetus of national regulations—The Assembling Circular, 1960—that high-rise residential developments became the dominant nonprofit housing production method (Kristensen, 1985, 7).

These housing regulations required all new nonprofit housing—including cooperative housing—which received direct public support to be constructed with prefabricated building components. The nonprofit sector was deliberately used as a way to promote large-scale industrialization of the Danish building industry.⁷ Since smaller cooperative associations were at a disadvantage in managing mass scale projects, these organizations had to pool their efforts together as part of larger associations or else close down production.

With the spread of these new construction techniques, nonprofit housing production had its longest period of steady growth in the history of the sector: from 8,000 dwelling units annually in the beginning of the 1960s to 14,000 at the beginning of the 1970s (Bolingministeriet, 1987, 30). As late as the 1970s, industrial building systems were used in approximately 80-90 percent of all high-rise development in Copenhagen, and 60-70 percent in the other parts of the country (Haywood, 1984, 192).⁸ Some of these buildings were “towns” in and of themselves, containing as many as 3,000 dwelling units. Although in general the dwellings produced were spacious, their location in bleak, modernist buildings frequently in new communities on the urban periphery often made the units an unpopular residential choice.

At the end of the 1960s, the State Building Institute conducted a user evaluation which showed a high level of dissatisfaction among those living in many of these areas. Indicating a sharp divergence of interests, this critical report was not greeted warmly by either the national government or the residents’ own nonprofit development organizations.⁹ Nevertheless, to the extent that the design and construction of these buildings were contributing to high vacancy rates in nonprofit housing, there was financial pressure on producers to find another approach.

Rental problems in these projects continued through the early 1980s, when certain high-rise buildings had almost ten percent of their units unoccupied and almost one-third of the resident population moving out yearly (Kristensen, 1985, 147-149).¹⁰ Those who chose to remain tended to be lower income households, often with social problems, which, as a group, began to constitute a larger portion of the total residential population. In response to the high number of vacancies and cutbacks in funding for social housing, new production of high-rise, non-profit dwellings has declined since the mid-1970s. Over the past decade the use of industrial building technologies has undergone a significant revival. Learning from past mistakes, some manufacturers of industrial building systems adapted their products for use in constructing single family homes and low-rise non-profit housing developments, which have had a much better reception.¹¹

RENT HARMONIZATION

Internationally, one of the hallmarks of cooperative housing has been the ability to provide long-term affordable housing through 1) encouraging collective approaches to reducing operational costs and 2) insulating the price of housing membership shares from general real estate inflation. In Denmark, while co-op members may be told that participating on a project council is a way for them to reduce the costs of their own housing, actual housing payments, particularly for those residing in the older housing stock, are increasingly influenced by national policies aimed at "market" pricing.

With the adoption of the Danish Housing Act of 1966, monthly payments in all forms of nonprofit housing were established at levels greater than the traditional economic cost of provision. The cost differential between the older nonprofit and private rental stock and newly constructed social housing began to create some social conflicts. Older residents typically did not want to leave housing bargains, which resulted in young families with children often being restricted to the less popular units with less residential space in the high-vacancy, newer, more costly, high-rise developments.

In 1966, the rents on older social housing units were increased by adding on a special fee. By placing these assessments on the less costly, earlier-built social housing dwellings, the objective was to have their rents more closely reflect those of comparable new units. Allowances were used to assist those who were unable to cover the cost of the rent increases. The additional revenue generated by this rent liberalization was channeled into the National Building Fund to support modernization efforts and new construction projects in social housing.¹²

The occupants of social housing were not pleased with this new program. In the 1966 general election, after the passage of the legislation, there were wide-scale defections among renters from the ranks of the Social Democratic Party

important role in final distribution. In particular, areas which do not want non-profit housing are under no requirement to accept it.

As can be seen from Table 2, the trend has been reduced contributions from the state and local government as well as from the building fund controlled by the nonprofit associations. This has meant an increased reliance on subsidized financing in which mortgage payments escalate along with an inflation index. In essence, the new subsidized financing program adopted by the Danish Parliament in 1990 is a graduated payment system in which mortgage costs can rise for 50 years. This system is likely to make it difficult for co-op residents to ever master their rising housing costs.

Table 2. Changes in The Proportion of Funding and Financing Provided From Different Sources To Cover the Cost of A Newly Constructed NonProfit Housing Project for Families

Financing Year of Legislation	National Gov't	Local Gov't	Association of Non-Profits	Resident Contribution	Gov't/Credit Association
1975	10%	5%	8%	3%	74%
1977	10%	6%	7%	3%	74%
1982	9%	4%	0%	2%	85%
1990	4%	4%	0%	2%	90%

Source: Vestergaard, 1985, 26-27; Updated by Lovforslag (Legislation) nr. L91, Folketinget 1989-90, Table 2, page 12.

THE STRUCTURE OF DANISH SOCIAL HOUSING POLICY

The result of these changes in Danish nonprofit policy, argue authors such as Gosta Esping-Andersen and Walter Korpi (1987, 63-69), two leading analysts of Scandinavian welfare systems, has been that Denmark has rejected the notion of housing as a social right and embraced the market as the dominant means for distributing dwelling units. As opposed to Donnison and Ungerson (1982), they go so far as to call it *laissez faire*. Such criticism may seem extreme to U.S. readers or perhaps even those of the Dane's northern neighbors in Sweden.

Given the commodification of Swedish cooperative housing, the Danish approach appears to provide a social right to housing. This is even more true when compared to U.S. housing policy. To list some examples:

- In Denmark, housing allowances are provided as an entitlement, extending to all income eligible households some assistance to cover their housing

- costs. Moreover, local government has the responsibility to find housing for those who cannot secure dwellings on their own—the “husvilde”—and can even override nonprofit housing associations to make a critical placement.
- To a much greater extent than the U.S., Denmark has accepted the responsibility for directly creating new housing opportunities for all of its citizens, allocating resources to achieve production goals. The state controls the number, size, condition and distribution of nonprofit housing units. The nonprofit production level has remained high, averaging approximately 30 percent of total housing construction between 1965 and 1985 (Danmarks Statistik, 1989, 89). In the U.S. development of directly subsidized housing was lower than half this rate (Sternlieb and Lisotkin, 1987, 29).
 - Residents in Danish nonprofit housing and private rental housing, on the whole, pay a much lower percentage of their total gross income towards rent than their American counterparts. In 1985, the median economic “rent” (before allowances) of those in nonprofit and private rental dwellings was equal to about 13 percent of their median income (Andersen et al., 1990, 114 and 118). After allowances, the proportion drops to about nine percent of the household median income.¹⁹ For the U.S. the median rent to income quotient was estimated to be 30 percent in 1987 (Apgar, 1988, 32-33).

On the other hand, there has been a steady movement towards “commodifying” nonprofit housing, and it has been the state which has pressed for transforming these dwellings into a market good.

The consequences of this policy direction are already apparent. Findings indicate that for the period between 1970 and 1985, the inventory of very low cost dwelling units—those affordable to households earning less than 50 percent of the median income—declined more sharply in Denmark than in the U.S.²⁰ Although a much lower proportion of the population in Denmark has a need for very low cost housing, the loss of these dwellings is likely to have contributed to a rapid increase in the proportion of Danish households dependent on allowances to meet residential expenses (Richman, 1990). Today, recipients comprise nearly half of all those residing in the private rental and nonprofit housing sectors.²¹

Further, while new methods of cost recovery were imposed on the co-op based, nonprofit sector, no state plans were put forth to recapture the high level of tax-based investments which buoyed the individual ownership market. By skewing tax benefits towards individual owner-occupation, the state undermined the potential of self-management alternatives.²² In general, it is the households with fewer economic choices that now “select” the efficient nonprofit sector over the less efficient forms of publicly supported, profitmaking ownership. This can be seen as tenure stratification or, more positively, as the responsiveness of the resident-based nonprofit sector to low income housing needs.

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RESPONSE TO POLICY DIRECTION BY THOSE EXCLUDED

In the Danish social housing system, consumer input in policymaking must rely on resident participation rising up from the local social housing associations to influence national level decision-making.

But even if the cooperative structure of the associations provides some access to power by social housing residents, one group—the one with the greatest interest in development—is largely left out: those who are on the social housing waiting lists. Speaking candidly, Henning Andersen, Head of Administration at AKB (The Worker's Cooperative Building Association), one of the largest social housing associations, stated: "We have here in this company about 40,000 people on the list who want to have a dwelling but we have no contact with them."¹⁸

In particular, young people, likely to be near the end of the housing queue, have found themselves pitted against the nonprofit development establishment. Beginning in the 1970s, young squatters in Copenhagen frequently battled police in the streets over plans to demolish and redevelop their homes into cooperative dwellings they could not afford. In the 1980s, more affluent young people rejected the cookie cutter approach to development in conventional social housing and, with support from a political coalition including the Conservative Party and the People's Socialist Party, forged a new cooperative housing program.

The new form of limited equity cooperative housing which is eligible for subsidies requires a 20 percent downpayment and allows for limited appreciation upon membership resales. Most important to young people who pushed for this new tenure form, small resident groups can play a central role in planning their own residential communities, independent from the requirements of the dominant nonprofit housing associations. Until recently, the program has relied almost exclusively on profit-making developers for implementation with the traditional nonprofit producers generally eschewing participation. However, this stance is changing as associations seek new development opportunities to compensate for government cutbacks in the annual quota for nonprofit housing.

ESTABLISHING A COOPERATIVE HOUSING SECTOR: LESSONS FROM DENMARK

As in Denmark, reliance on public funding is likely to be the key to expanding the cooperative housing sector in other countries. The following recommendations represent ways that future co-op development might avoid some of the problems which have arisen in the Danish state-supported housing system:

1. **Support Tenure Neutrality.** Cooperative housing cannot exist in isolation from a nation's overall housing program. If the Scandinavian experience is indicative, it will be difficult to get nations to give funding priority to their co-

op sectors. Therefore, at a minimum, to avoid a residualization of collective ownership alternatives, efforts should be directed at leveling the housing market "playing field" through promoting tenure-neutral subsidy policies.

2. Localize Development Policymaking. The shape and scope of housing programs should not be determined at the national level, relegating local governments to acting as a conduit and housing associations as mere agents of implementation. A block grant approach to municipalities can better facilitate nonprofit groups and underserved consumers to work together to create programs that address identified local needs.

3. Be Cautious of Cost-Cutting Building Techniques. In Denmark rationalizing design and construction methods to produce mass-based housing schemes have generated substantial unanticipated costs. The solution to affordable housing shortages cannot be found simply in industrializing building or decreasing residential amenities.

4. Inhibit State Power to Alter Established Co-ops. A central lesson from Danish cooperative housing is that the state should not be allowed to unilaterally change the rules of the game. One way to thwart such actions is to place all state requirements in project regulatory agreements rather than in more malleable legislative statutes. Such protections of co-op autonomy are critical if members are to exercise long-term control.

5. Avoid Financing Strategies which Increase Reliance on Public Support. Graduated payment financing in Denmark has displaced the costs of nonprofit production into the future. However, this has increased the sector's dependence of the continuance of the housing allowance program. Recent indications suggest that the Danish government, in order to align public spending levels with those of other members of the European Community, is seeking ways to cut back on this rising financial commitment.²³ Short-sighted financing plans may jeopardize household and project economies.

6. De-professionalize Development Planning. In the U.S., the selection of residents takes place near the end of project completion, but this is an arbitrary timing decision. An equitable system can be devised by which a pool of co-op members is selected before site planning so that they may participate in establishing their own residential communities. The Danish limited equity cooperatives in some cases have provided future residents with just this opportunity.

Alan Wolfe (1989) has discussed the danger that the next generation in Denmark understands the rights to which they are entitled better than the corresponding moral obligation to society. It is as if the institutionalization of welfare rights, such as the right to housing, has been so complete that young people no longer appreciate what a rare accomplishment this is. Moreover, they may no longer see the Danish social system as something of their own making. Thus, cooperative initiatives in which resident groups make development policy,

shaping the social welfare system themselves, is perhaps the best insurance for its long-term survival. Denmark has shown that a participatory structure to oversee nonprofit housing management can work. The challenge now is to take this advance to the next stage and create broad programs which can assist people in overseeing the development of their own housing.

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NOTES

- ¹ For the historical background on Danish nonprofit housing, a variety of sources were used (Greve, 1971, 27-49; Apelroth, 1974, 89-91; Haywood, 1984, 180-182; Vestergaard, 1985, 9-12; Salicath, 1987, 22-23, Boligministeriet, 1988b).
- ² In the early stages of the cooperative housing movement resale controls limiting speculation on dwelling units were not a requirement, so much of the best housing which was developed by the early associations was resold at market prices. "One result was that houses were transferred from workers to other classes in conflict with the original aims of the housing associations and of government housing policy." (Greve, 1971, 28) This began to change during the 1920s as the organizations adopted regulations to prevent market sales.
- ³ "The rise of social democracy in the Depression period did not constitute the historical watershed with respect to housing that it did for social security and labor market policy. True, governments stepped up construction to alleviate unemployment, but these efforts were employment programs, not housing policy as such." (Esping-Andersen and Korpi, 1987, 63).
- ⁴ It is important to note that the highly consensual nature of Danish political decisionmaking has endured to a remarkable degree in the postwar era, particularly in comparison with the U.S. For example, "Over the entire period (1945/46 -1979/80), the Social Democrats and the Radical Liberals voted for 97% of all social policy bills, the Agrarian Liberals agreed with 87% and the Conservatives with 85%." (Johansen, 1986, 353). This may explain the high level of stability associated with social policy; since all parties support a program, no one wants to identify it as a failure.
- ⁵ The expansion of cooperative housing in Denmark should not be interpreted as antagonistic to private profitmaking. Whereas social housing corporations were chartered to provide dwellings on a cost basis, sufficient to cover finance payments, operating costs and reserves—thereby removing the speculative component of rental housing ownership—the associations participated in activities which have benefitted a wide range of range of private interests. Investors who acquire housing bonds, architects and contractors, producers and suppliers of building materials and other housing goods—all have used public investment in social housing to their own financial advantage. As Harloe and Martens have written, "Housing need is a key criterion for allocation in social housing but this is structured in ways which have been strongly influenced by the interests of sections of capital, including those involved in its provision." (Harloe and Martens, 1984, 269).
- ⁶ Descriptions of the resident democracy program can be found in (Vestergaard, 1985, 35-47; Salicath, 1987, 52-63; and comparatively with other forms of resident participation in Scandinavia; Cronberg, 1986, 65-87).

- ⁷ One could argue that the residents in poorly constructed social housing from this period have disproportionately borne the burden for national experimentation with these technologies.
- ⁸ Based on experience with social housing, Danish expertise in the field of concrete-based building systems grew, producing for the country a profitable export item. Construction material manufacturers, contractors, and social housing associations formed the nexus of another power base for social housing.
- ⁹ Hans Skifter Andersen, telephone discussion with author, 26 October 1990.
- ¹⁰ Even though Denmark focuses considerable attention on its high rise "problem" projects, these difficulties are dwarfed by what may be found elsewhere. For example, in the early 1980s the share of vacant flats in Sweden was ten times higher than in Denmark. Changing demographics and building improvement programs have largely ended the high rates of vacancy in the high rise Danish buildings and most are now running near full occupancy (Hans Kristensen, 1990, 2-3).
- ¹¹ In these newer social housing projects dense, low rise buildings consisting of undetached dwellings of one, two and three stories were developed, creating a more human scale environment at nearly the same cost as the high rise schemes (Svensson, 1988, 12). Frequently in these dense developments residents have direct entrances to their dwellings from landscaped courtyards and walkways and space as well for a small private garden. During the 1980s approximately 60 percent of social housing was built with low-dense plans based on designs reminiscent of the earlier forms of cooperative housing (Salicath, 1987, 42).
- ¹² Rents do not fall in Danish social housing even if the underlying mortgages are retired. Instead, market level rents continue with surplus income channelled into the National Building Fund (Landsbyggefond) to support modernization efforts. The 1966 law price increases were permitted as well in the rent-controlled private rental stock.
- ¹³ The quote refers to Boligen, No.6, 1966, p. 282.
- ¹⁴ Rent harmonization policies were first enacted in 1966 and increases occurred at intervals throughout the last two decades. However, it was not until January 1987 that curbs were placed on the deductibility of ownership expenses.
- ¹⁵ Citing a government study which predicted a chain reaction effect in lifting housing payment levels, Wilhelm maintains that increasing income throughout the private and non-profit housing markets led to a growth in property values and mortgage borrowing. This, in turn, heightened the competition for funds on the nation's capital markets which thereby led to increasing interest rates. Housing allowances, available to occupants in private and non-profit rentals, buoyed demand, creating a windfall for private property owners and others in the real estate industry, but led to little improvement in the purchasing capacity of recipients.

¹⁶ Different equity/financing combinations have been established for different forms of housing: family housing, youth housing, elderly housing, and so on.

¹⁷ The local policy is outlined in "Redegørelse til byplanudvalget om Kontaktudvalg 2" Odense Magistrat 2. Afdeling. Administrationsafdelingen, 11 Maj 1988.

¹⁸ Henning Andersen, Interview with author, Tape recording, Copenhagen, Denmark, 20 May 1988.

¹⁹ To properly compare Danish housing payment-income ratios with those in the U.S., it should be noted that the minimum tax rate in Denmark is approximately 50 percent of gross earnings.

²⁰ Between 1970 and 1985, the proportion of very low cost dwellings dropped from 41 percent to 30 percent of the U.S. rental inventory. In Denmark, by comparison, nearly half the dwellings in the private rental and non-profit housing sector were affordable to very low income families in 1970, but by 1985, just 18 percent of the total number remained affordable to the same group, accounting for inflation (Richman, 1991).

²¹ "Lejernes er hårdest ramt: Udgiften til boligstøtte eksploderet," Politiken, 25 April 1990.

²² If the year 1979 and 1980 are at all representative, Denmark had by far the greatest subsidy bias towards owner-occupation in all of Scandinavia (Nordic Council and the Nordic Statistical Secretariat, 1984, 132-133; ühren, 1987, 26). While total indirect and direct public investment in housing was nearly triple that of the U.S., the proportion allocated to supporting individual ownership forms has been roughly equivalent in the two countries (Richman 1991).

²³ "Lejernes sætte på slankekur," Politiken, 21 October 1991.

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Part Three

The Cooperative as Home to Contemporary Social Issues

Introduction

Housing cooperatives present an almost irresistible locus for studying concepts such as democracy, community, informal justice, and ethnicity, race, class, and gender relations. In this part, we present outstanding samples of the work of scholars who have used the operations of housing cooperatives to investigate social relations as they are played out in the cooperative housing environment.

The following questions are discussed: What form of democracy should a cooperative have: direct, participatory, or representative? Should a cooperative community be totalized, be limited to neighborliness, or simply be functional? Should a cooperative have its own self-contained system of informal justice or should it replicate and be part of the formal justice system of the society in which it exists? Should cooperatives be models of the best of race, ethnic, class, and gender relations? If they are not such a model and have been penetrated, in part, by racism, classism, and sexism, should they be considered to have failed?

Certainly we would be surprised and disappointed if an investigator found that the cooperative was, at best, a representative democracy in a cold functional community, racked with racial and class conflict. We know, from our experience, that people can make better use of the social/political space a housing cooperative provides. We would also be surprised if the investigator found a direct democracy in which racism and sexism were non-issues and conflicts were sympathetically worked out by an internal system of informal justice. While we know people can make great positive use of the opportunities housing cooperatives provide, we also know that housing cooperatives are not isolated islands. They exist in and are part of the societies in which they are located.

What we would hope and expect to find is a multidimensional community, likely in flux, in which co-op residents are exploring the potentiality of the space the cooperative provides with all the attributes for internal conflicts and

personal growth inherent in any collective enterprise attempting to come to grips with the external pressures society places upon it.

Anyone who has worked with or studied cooperatives has had moments of elation as he or she watches people solve problems unresolved in the theoretical literature; has been depressed by the playing out of the corruption of the human spirit engendered by a corrupt society; or horrified by the passion of conflict among people so individualized that they have no clue how to work together. Even with all the lows we cannot help but agree with the theme of Clark and Saegert's concluding article. We cannot help but be struck by the transformative potential of the housing cooperative experience. The overwhelming evidence is that housing cooperatives work well. There is also a great deal of evidence that for many people, cooperatives are a place where democracy, community, justice, and human relations are encountered to the betterment of all those involved.

STABILIZING THE FUTURE OF LIMITED EQUITY COOPERATIVE HOUSING IN NEW YORK CITY¹

Eric K. Glunt, Heléne Clark, and Susan Saegert

This chapter focuses on the current success and future prospects of limited equity housing cooperatives in New York City. From 1980 to 1991, 349 buildings comprising 8,345 units, initially abandoned by their landlords, became limited equity cooperatives with City assistance. The research and conclusions presented are a part of a larger ongoing study of the social and political processes affecting affordable housing alternatives in New York City. The current work is the result of a collaboration between Housing Environments Research Group (HERG) at the City University of New York and Urban Home-steading Assistance Board (UHAB), a technical assistance organization.

UHAB has long recognized that the limited equity cooperatives were facing some common patterns of problems that needed new approaches. Communication problems, changing financial situations, and occasional difficulties on or with the board of directors were identified as trouble spots for many co-ops. By the middle of 1988, UHAB decided that an in-depth management review of co-ops would yield more detailed answers about the nature of the problems and help it recommend interventions and new training strategies. To evaluate the issues facing cooperatives and develop appropriate policy and assistance required a serious look at how the organizations were functioning a few years after sale to the tenants.

Several years of prior collaboration with UHAB paved the way for HERG to look at the successes and problems of cooperatives. UHAB was especially interested in HERG's helping them develop a conceptual framework to conduct a management review. We began our research collaboration through a series of structured interviews with the boards of directors of several different buildings.² To give the reader some context for the findings of the study, we begin the chapter with a case study of the Utica Avenue co-op, one of the first co-ops in which we conducted a management review and interviews.

UTICA AVENUE CO-OP: A CASE STUDY

The first time we visited the Utica Avenue co-op,³ we were impressed with the residents' struggle for survival as a limited equity cooperative. In many ways the building was typical of other limited equity housing cooperatives in the kinds of physical and social problems it faced. What made the Utica Avenue co-op unusual was that it seemed to be facing all of the major problems which might confront a housing cooperative at the same time! Yet, the co-op was able to withstand formidable obstacles emanating from both within and outside it.

The Utica Avenue co-op is a fifty-nine unit building located in the Crown Heights neighborhood of central Brooklyn. This neighborhood experienced a pattern of abandonment, crime, and reduced services in the 1970s as did many other New York neighborhoods. Crown Heights is unusual in that its largely African-American and Afro-Caribbean population share the neighborhood with a large Hasidic Jewish community—mostly followers of Rebbe Lubavitch.⁴ At the time, an uneasy alliance existed between the black and Jewish residents, but the past decade was marked with violent confrontations and some riots. Yet, many residents of the neighborhood felt that one of its best qualities is precisely that it is neither wholly white nor wholly black.

The co-existence of the black and white-Jewish communities is not interesting simply as a comment on the problems and benefits of culturally diverse neighborhoods. Rather, it is important in understanding the context from which the residents of the Utica Avenue co-op developed their beliefs and attitudes about their neighborhood, city government and themselves. Only a cursory mention can be given here to some of the ways the neighborhood context contributed to the circumstances of the cooperative.

First, the increasing size of the Lubavitcher community in Crown Heights has led to a great rise in real estate values. This has meant, for the Utica Avenue co-op, that numerous offers have been made to the board of directors by the Lubavitcher community to purchase their building. This has affected residents' ideas about their options and their decision making process, as well as heightening their awareness of the expanding strength of the Lubavitcher community.

Second, the nature of political power and service delivery are salient issues, as the two groups use their different organizational styles and local political connections to influence neighborhood events.

Third, racism and its effects on neighborhood control are a particular issue for black residents who have lived through official and private abandonment when the neighborhood was becoming predominantly black, and then through renewed interest and increased prices as it attracted a significant white population. A forty-year-old male resident in the Utica Avenue co-op felt that part of the success of the co-op was a desire to prove that black residents were as able to take control and be as organized as he perceived the Lubavitcher community to be.

Internally, the Utica Avenue co-op appears to be united in only one theme. Residents express a strong commitment to making the cooperative work as a building, as an organization, and as a home. They like their building and neighborhood. However, their satisfaction has been dramatically affected by how angry they feel about management problems. Residents on all sides of the internal conflicts express commitment to the co-op and neighborhood but feel "fed-up" with fellow shareholders.

All problems in this building seem to overlap and exacerbate each other. In a survey we conducted of residents, physical conditions in the building were generally rated as poor by residents. However, electricity, security and cleanliness were better rated, generally between fair and good. Windows, heat and hot water as well as plumbing were rated as poor. Physical problems ranged from shoddy work, long-term leaks and damage in particular apartments, to a boiler in such need of replacement that all residents spent a recent winter without heat or hot water.

These physical plant problems have not been corrected for a variety of reasons. Residents differ as to whom they blame most. Many blame the managing agent for not collecting maintenance fees effectively, thereby creating a financial situation that makes it impossible to maintain the building. Others blame the board of directors for not properly supervising the manager, for wasting dollars that could go to building repairs on paying a professional manager, for repair priorities based on favoritism, and for alienating many shareholders who now will not pay maintenance fees. Still others blame those shareholders who are withholding their maintenance fees (now at 50%) for threatening the very existence of the cooperative by plunging it into bankruptcy and disrepair.

The way in which blame becomes confused and multi-directional is illustrated through the example of this cooperative's efforts to obtain a low-interest city loan to replace the boiler. All limited equity housing cooperatives are eligible to apply for this type of loan, through Article 8A of the city's housing code. To receive the loan, shareholders must vote to accept the loan and the cooperative must meet certain criteria of operation (such as establishing by-laws and keeping appropriate books). A founding co-op leader began the application process. When she was discovered to be dishonest, shareholders feared for the release of thousands of dollars of vital loan money into her control. They went to the city's housing department and stopped the application. This is an example of the misinformation and lack of communication that contributed to what amounted to a disaster for the co-op residents. Not being able to replace the boiler has led to freezing winters and great animosity. Had residents been properly informed of the city's loan process, they would have known that it was possible to ensure that no individual would have access to the funds.

Under new leadership, the co-op reapplied for the loan. After approximately one year, no one was able to learn the status of the loan. In the course of our research, the Housing Environments Research Group was not able to find out from the city when or if the Utica Avenue co-op would get its loan or what they needed to do to expedite the loan process. Residents, on their own initiative, went to the loan office and were told that the loan could be processed in two weeks if every resident signed an affidavit stating that they would not refuse a loan the second time. The board of directors reported that this was not the case and that they were told something completely different. The residents then began accusing each other of either suppressing information or just not trying hard enough to follow up.

The boiler fiasco is a problem that should not have existed. A new boiler two years ago and warm winters with plenty of hot water might have drastically altered the social conflicts and frustrated feelings that inhibit effective management. The sense of fighting a losing battle alienates residents. Physical problems are intricately tied up with the social problems, both originating in them and reproducing them.

The transition from the first set of building leaders to the second also did not go smoothly. Charges of corruption, such as pocketing petty cash, led to leaders' dismissal by residents. A new board was elected and a relative newcomer to the building was elected board president. His leadership style was praised by some as hardworking and in command, but deplored by others who felt their efforts at participation in building affairs were rudely and repeatedly rebuffed. As participation waned, many residents became increasingly convinced that decisions were being made without their approval. A faction of tenants held its own meetings, sent out flyers, planned fundraising and social activities, and even pursued a third application to obtain a city loan for a new boiler.

The development of this active member faction led the board of directors to close ranks. Feeling threatened and defensive, they became more resistant to any criticism and were reluctant to reveal building records. Building operations have been almost at a standstill for over a year, as half the shareholders refuse to pay for maintenance.

Offers to buy the Utica Avenue co-op, coupled with a feeling of hopelessness that things will ever work well, have led many residents to think that selling the building, obtaining some economic security from the proceeds, and moving, is an attractive option. Despite their mutual desire to make the co-op work, both shareholders and leaders view their relationship more as that of renters to a landlord. No one wants it this way, but mired in the many financial, social, managerial and physical crises, they do not see any route to a more participatory model.

We left the building at the height of this frustration. What is surprising is that since our interviews, the residents have solved many of these problems and gained a modicum of stability. The cooperative successfully obtained a loan to repair the boiler. The building was neither sold nor did it go into tax arrears. There are still factions in the building, but there appears to be a greater willingness for residents to try to work together for the benefit of the cooperative. The Utica Avenue co-op continues, even if it still must struggle to survive. To be sure, this building is an extreme case. However, elements of all of the problems uncovered in the building can be found in other co-ops. How does the Utica Avenue co-op fit into what we know about limited equity housing cooperatives in New York City?

A RECENT HISTORY OF LIMITED EQUITY CO-OPS IN NEW YORK CITY⁵

The development of limited equity cooperatives in New York was driven by the massive landlord abandonment of rental property in New York City from the late sixties to the early eighties. The City passed the "fast foreclosure" law in 1977, intending to force delinquent landlords to pay their taxes. Instead the law prompted the unexpected response of large numbers of landlords walking away from their properties and leaving them in City hands. By 1992, New York City managed 45,000 residential units, concentrated heavily in neighborhoods occupied by low-income, minority populations. The City was unprepared to manage this deluge of deteriorating buildings that was providing housing for at least 100,000 people, and sought solutions for handling the problem.

Initially the effort to form cooperatives was driven by tenants of these buildings. An earlier investigation of landlord-abandoned buildings in Harlem (Leavitt & Saegert, 1990) disclosed that tenants in the buildings that became co-ops in 1980-1983 had usually organized in the late sixties or early seventies, some even earlier. Starting as early as the 1960s, landlords in parts of the city began to withdraw services and stopped paying taxes. Tenants responded by banding together to demand repairs from landlords. Encouraged by the Harlem rent strikes of the late sixties, they often organized rent strikes against their landlords. Tenants frequently succeeded in having the courts appoint an administrator through the 7A receivership program established in New York to give tenants a way to enforce maintenance of their buildings.

During this early period, a number of psychological and social factors were important. Tenants depended on their long-standing social relationships to first help each other survive as services were withdrawn, and then as a basis of organizing. Older people, especially older women, emerged as leaders, drawing on their social skills, their multiple social ties, and their commitment to their homes. For the elderly, relocation would have meant giving up the social and physical worlds that had taken a lifetime to build.

In our study of Harlem, residents' shared history of racial discrimination as well as the cultural and social significance of Harlem for black people increased their determination to salvage their homes. At the same time, some tenants perceived that their dealings with City agencies were affected by racial prejudice. Harlem residents' shared histories of racial discrimination in housing also affected their sense of housing options.

Gender also affected responses to abandonment. Female-headed households were more likely to be left in landlord-abandoned buildings, as would be predicted from income and housing cost statistics. Women also often evidenced greater attachment to their buildings and more social involvement with neighbors. They extended the skills they had needed to maintain homes on inadequate incomes to the saving of the building. In contrast, male leaders more often saw their work in buildings as an extension of their jobs or community leadership roles (Leavitt & Saegert, 1988, 1990).

At the same time, contact with local activists, politicians, and technical assistance groups proved crucial. Tenants needed information about their rights, legal procedures, building management, and strategies for dealing with bureaucracies and institutions. All successful co-op leaders recollected receiving advice from many such sources. For all, legal assistance was particularly crucial.

The moment the City took buildings as a result of landlords' nonpayment of taxes, tenant organizations found themselves in a new adversarial relationship. Usually during the last stages of landlord abandonment, tenants began to manage their buildings alone, with a 7A manager, another paid manager, or with the help of an outside organization. Sometimes, it took the City months to begin efforts to collect rent and manage the building, during which times tenants assumed control of management and often began renovations. The City would then challenge the tenants' control and attempt to supplant their management. In all the cases studied, this situation led to prolonged conflict with City agencies.

During this period, the City had great difficulty managing its newly acquired inventory. Every winter, the press carried stories of people freezing to death in City-owned buildings. Tenants universally complained that they received inadequate services or none at all for the rents they paid. On the other hand, the low rents maintained in City-owned buildings were insufficient to carry the costs of these buildings. For some very low-income people, these low rents provided enough incentive for them to stay and to prefer City ownership to self-management.

When tenants took over their buildings, they struggled with the need for more income for the buildings to be repaired and maintained. At the same time many of the residents did not have high enough incomes to support the costs of running their buildings. Leaders and better off tenants frequently dipped into their own pockets to meet expenses. Many also did their own repairs, renova-

tions and maintenance rather than pay for it. Constant negotiations occurred between tenants and the City for repairs, access to materials and other aid in restoring the buildings to a functioning state.

The existence of these numerous self-managed and community-group-managed buildings throughout the City also brought pressure on City politicians and bureaucrats to develop new programs to sell buildings to tenants and community groups. Housing activists demanded improved housing conditions and proposed alternative programs. Two such programs were eventually adopted by the City: the Community Management Program (CMP) that sold buildings to non-profit organizations to rehabilitate and maintain them as low-income housing; and the Tenant Interim Lease Program (TIL) that sold buildings directly to tenant associations.

Most co-ops were developed through the TIL Program, in which tenants could lease their building from the City for a period during which they would demonstrate their ability to manage the building, gain insurance, and improve building conditions. The City provided some repairs during this time, averaging, in the early days, about \$3,000 to \$5,000 per unit. Section 8 rental subsidies were made available to those tenants who could qualify. A tax abatement program applying to units in HDFC (Housing Development Finance Company) buildings occupied by senior citizens was also put into place. During the lease period, tenants had to agree to a rent restructuring according to City guidelines that would provide an adequate income stream for maintenance and repairs. Often conflicts occurred among tenants over the restructuring of rents, sometimes even leading to rent strikes against the tenants' association.

The earliest organized tenant associations were pioneers, aided mainly by advocacy groups and sympathetic politicians. Most of the first self-managed buildings paid for all their own repairs and improvements. Their adversarial relationships with the City led them to try to take control as quickly as possible, a goal often frustrated by inexplicable delays and setbacks. These tenants also often had trouble getting the subsidies to which they were entitled because of bureaucratic bottlenecks. Tenants' associations that formed later benefited more from the TIL program in terms of both repairs and subsidies.

Buildings that entered TIL later encountered a better organized program with more resources available. However, their own internal resources were often more strained. The later-organized buildings had shorter organizational histories when they entered the TIL program, usually associated with less sophisticated leadership. They also formed tenants' associations during a period of lower levels of political activism aimed at improving urban conditions for poor people and minorities in which there were fewer technical assistance groups around from which to obtain support and advice. Tenants faced more desperate conditions in that their buildings had deteriorated further, and the specter of

homelessness was more evident in their communities. The economic recessions of the late seventies also led to more unemployment among tenants. Many of the later-organized buildings included significant numbers of tenants with a variety of handicaps. This combination of factors made the tenants less likely to have achieved self-management and ownership without the TIL program. It also placed more strain on the existing informal helping relationships that were at the core of collective efforts to take control of buildings.

The numerous problems facing the later-organized buildings placed enormous burdens on internal leaders. The absence of adequate financial aid and technical assistance often led them to fail to perform up to others' expectations, leading to increased factional conflict. Some of the buildings studied failed to move from TIL to ownership. Instead, a combination of financial inability to run the building, tenant conflict and leadership problems, capped by an unexpected setback like a fire or management fraud, sent the buildings back into City management.

However, the majority of tenants associations who entered TIL did succeed in buying their buildings. Not all tenants in co-ops bought their apartments, but some of those, the elderly or disabled, who did not were protected by City regulations. Most co-op residents entered the phase of ownership expressing more satisfaction than residents of comparable rental buildings with their building conditions, with management and with tenant participation, and also expressed greater optimism about the future (Leavitt & Saegert, 1985; Leavitt & Saegert, 1990). Their purchases of the buildings represented a significant collective achievement, increased security, strengthened social support networks, and for some delivered a greater sense of empowerment (Saegert & Clark, 1989).

Previous research would also suggest that co-ops will be going through significant changes as they mature. Many studies show that participation in voluntary organizations reaches its peak during times of crisis (Ungar, & Wandersman, 1985). Organizations tend to grow and function most effectively during crisis periods (Gittell, 1980). This study was designed to investigate the successes and problems of cooperatives as they mature and address their long-term futures rather than their responses to initial crises.

EVOLVING RESEARCH QUESTIONS AND METHODOLOGY

The first group of questions considered 1) what problems did limited equity housing cooperatives encounter; 2) what resources did they need to manage themselves smoothly; 3) what improvements could be made in technical assistance to address problems; 4) what effect did government policy have on the cooperatives; and 5) how could government policy, particularly city policy, be more effective? The second group of questions asked 1) were there positive

effects of this form of housing on the level of satisfaction several years after sale; 2) how did individual shareholders and non-owning tenants feel about their experiences in a cooperative; 3) was limited equity cooperative ownership succeeding in providing long-term, good quality, affordable housing; and 4) were there potential linkages between cooperative organizations and broader community development? We assumed a reciprocal relationship between the first and second group of questions; for example, management problems and policy effects would have an impact on resident perceptions and satisfaction.⁶

The boards of directors that participated in the study did so for one of three reasons: one, they were embarking on self-management and felt they had a lot to learn; two, a UHAB staff person told them they might benefit from it; and three, they participated as a favor to UHAB, but expected nothing particularly useful to them to come of their participation. Residents, beyond the boards, were also interviewed because the boards could present only one side of the story and often tried to present a positive image.⁷ Confidential one-on-one interviews with members provided more information about what was really going on and how different shareholders and tenants experienced life in their buildings. The boards themselves were also interested in knowing more about residents' perceptions and problems.

Outreach began in October 1988 by a mass mailing describing the project and by personal contact from UHAB staff. In total, we worked intensively in fifteen buildings. Twelve of the buildings were located in Manhattan, primarily in Community Districts 9 and 10 (Harlem). This area has the heaviest concentration of cooperatives. Three buildings were in Brooklyn, one in Crown Heights and two in Bedford-Stuyvesant. In four of these co-ops, researchers completed both the management review with the board of directors and the resident interviews. In three buildings, audits were begun but not completed.⁸ Eight buildings had shareholder/tenant interviews only.⁹

The following results are based on 122 interviews in 14 buildings over sixteen months. Each interview consisted of 116 questions, half of which were open-ended and half of which were multiple choice. The multiple choice questions were primarily in the form of yes/no or five-point scales.

RESULTS FROM THE INTERVIEWS

While the dominant set of questions this research posed concerned the types of problems the co-ops faced and what resources they needed, we were also interested in ascertaining, from the residents' points of view, how well this form of housing was working out for them. We found that residents are highly committed to their cooperatives. They are able to make a sharp distinction between areas of building management with which they are not satisfied and their overall pride and commitment to their home and their neighborhood.

Demographics

Our sample was predominately African-American and nearly three-quarters (74%) female. This is consistent with the populations of other buildings in the neighborhoods in which the co-ops are located. Many buildings had a minority of Hispanic households, and approximately 10% of our sample was Hispanic. In most cases, these interviews were conducted in English.

The average age of the respondents was 51 years, covering a range from age 23 to age 89. Thirty-four percent of households had at least one member over 65, and 33.6% had someone under 18 in the household. Twenty-three percent of the respondents were over 65. Consistent with the high average age, the average length of residence in a building was long, 17 years, and the residents' attachment to their homes was high. We interviewed many people who had lived in their buildings for over 30 years. Fifty-six percent had known someone in the building before moving in.

Household composition was fairly evenly distributed. Of our respondents, 30% were married, 27% were single, 21% were separated or divorced, 2% were living with a partner, and 20% were widowed. One-quarter (26%) of households had a retired person. Just over 8% of households had a disabled member. The average household size was 2.26 members, and the range of household sizes was between 1 and 10 members.

Seventy-six percent of our sample had at least a high school education and 35% had at least some college. There was a significant difference in the educational level of leaders and non-leaders. The average leader had some college, while the average shareholder was a high school graduate. Leaders also tended to have significantly higher incomes than other shareholders. Seventy-six percent were also registered to vote, with no difference between leaders and non-leaders.

Approximately half (48%) of those interviewed had never been a leader in the building and slightly over half (52%) had been leaders at some time, although they were not necessarily in that role currently. Two-thirds (62%) had not been involved in the initial organizing of the tenants prior to sale, while 38% had been.

Income and Affordability

Over half (55%) of the residents willing to disclose their household income reported earning \$20,000 per year or more and 45% of the households reported earning under \$20,000 per year. Sixty-nine percent earned under \$30,000 per year. Almost one-fifth of the households (19%) reported incomes of under \$10,000 per year. With 93% of the respondents satisfied that their maintenance or rent was reasonable, there can be no doubt that the co-ops are still providing a very affordable source of secure housing.

The emphasis on security comes from the severe threat to survival of these co-ops, let alone affordability, that rising costs pose. Many buildings have raised rent to meet maintenance expenses, but usually to this point not beyond a resident's ability to pay. For persons on low and/or fixed incomes, their income may well not be enough to cover all future costs. Concern has been created by the finding that two of the cooperatives have been foreclosed by the City for non-payment of taxes.

Fifty-one percent of the people in our sample had full-time jobs. However, 43% reported that they were not employed. In some cases, their spouse was employed full-time. A lesser number, 36%, reported that no one in their family was employed full-time. These figures should be weighed against the characteristics of our sample, which has a high proportion of older black women.

Ownership

Eighty-seven percent of those interviewed owned their apartment, and 11% still rented. Many of the renters were senior citizens. Two people were not sure if they owned or rented. Close to 90% felt they had made the choice to own, but 7% believed that choice had been forced on them. Some people said that they had to buy because it was the only way to stay in their apartment. Although 87% of the respondents actually owned, 68% reported that they really felt more like an owner than a renter. Twenty-seven percent (this includes the 11% that still are renters) still felt like renters, and 5% had mixed feelings.

For those who still felt like renters, maintenance was likened to paying the rent. In some cases, shareholders still went through the same process of contacting the superintendent for repairs, and often waited a long time for an adequate response. Their day-to-day experiences were reported as being the same as they had been with a private landlord.

More than three-quarters (78%) of co-ops (not including those who remained rental tenants) believed there was a meaningful difference in the transition from tenant to owner. For most residents, the difference was in knowing they had control over what happened to their home, and that it was "theirs." They had the security of knowing they would not be displaced, and that problems were not being brought to an outsider (i.e., landlord) who did not have the same interest as the residents.

Expectedly, those who acted as leaders were significantly more likely to report feeling more like an owner. Leaders are obviously more directly involved in decision-making, bringing the sense of control over the environment into their daily routines. On the less positive side, a small minority of shareholders viewed the leaders as the equivalent of the landlord. They reported feeling discouraged from participating in building affairs. Leaders, on the other hand, constantly complained that not enough shareholders are will-

ing to participate. It was commonly said by leaders that shareholders don't understand what it means to own, and therefore still behave like renters.

The results of this study lend only small support to the leaders' claim that residents still think they're tenants. Only 16% of those who purchased their apartments said they felt like renters. The others claimed to feel like owners, and many explained this in terms of opportunities to be involved in decision-making, whether they actually participated in the running of the building or not.

Participation

The question of participation is clearly more complicated than merely taking on the responsibilities of an owner, and clearly more complicated than most leaders believe. What shareholders and leaders both agree on is that participation should be greater. There was no significant difference between the leaders and the non-leaders in how much they believed residents participated. About one-third (32%) felt that residents never participated and 56% felt that residents sometimes participated. They were worlds apart in their opinions about why it wasn't greater and what good participation would involve.

They also differed significantly in their perceptions about what went on at meetings. Leaders tended to say there was less active involvement by shareholders at meetings. However, many shareholders complained that they were not allowed to speak at meetings or ignored when they did speak. Some told us that this had caused them to stop speaking at or even attending meetings. Nonetheless, 64% of shareholders (including leaders) reported attending meetings frequently or always. Forty-three percent of the residents reported that they currently served on a committee.

Physical Conditions

Certain physical problems seem to be getting worse over the years. Very limited resources and difficulty obtaining loans has made it impossible for most buildings to maintain their major systems, with the exception in some cases of boilers and windows. Resident ratings of heat, hot water and electricity fared best. However, the 15% to 20% of residents who did have heat or hot water problems are certainly enough to raise concern. No one complained of serious problems with electricity.

The major problems were with the windows and the plumbing. In every building that had new windows installed by a contractor hired by the City of New York, as most had, the work was very poor. We saw new windows off their tracks, falling down and unopenable. Many residents complained, with 45% describing the condition of their windows as poor or very poor. However, it varied by apartment. Buildings uniformly had a large percentage of non-working windows, but some individual apartments experienced no problems. Forty-three percent of residents rated their windows as good or better.

About the same proportion of residents (44%) found their plumbing to be good. The most common response when asked about the quality of the plumbing was "neutral." Generally, plumbing is old and deteriorating, and building funds can only cover apartment repairs, not building piping. These problems existed prior to sale. In Leavitt & Saegert's 1985 study of buildings in Alternative Management Programs conducted just after sale, tenants complained most about windows and plumbing.

Security within the buildings was usually described as something that needed improvement, but only 11% rated their building's security as poor. Forty-eight percent were neutral, and 41% felt it was good. While most people wanted improvements in security, 87% said they felt safe inside their buildings, and only 9% did not feel safe.

Security is the one area that seems to have improved since the earlier study. With crime in the neighborhoods increasing, it is a significant success that residents were somewhat less concerned with security inside their own buildings than they were five years ago. One might assume from this that cooperatives are capable of successfully dealing with such intractable problems as drugs and crime, simply because they possess the resources of creativity, time and perseverance needed to tackle them. They have not succeeded in making as much headway in areas that require unavailable financial resources. However, given their success in creating relatively safe buildings during the very time that their neighborhoods became overwhelmingly more dangerous, it would be interesting to see what they could do if they weren't always battling for fiscal survival.

Residents were fairly understanding about the leaders' inability to correct some of the physical problems. They recognized that the problems had existed long before sale and were beyond their scope at present. Only a lack of heat, when it occurred, was a source of anger towards building leaders. In the one building where this was a significant issue, a new boiler was installed before the winter of 1989-90, and heat is no longer a problem there. This sanguine attitude towards building-wide physical problems can primarily be attributed to the good condition of most apartments. Also, leaders and residents tended not to focus on those long-term, large scale system problems that they cannot effectively plan to solve without resources. This does not mean that these are not serious. On the contrary, some buildings have potentially grave structural deterioration, and most are going to face major expenses at some point for foundations, pipes or roofs.

Building Evaluation

Most often, residents were somewhat satisfied with the management of their buildings (46%). However, a significant minority were either somewhat or very dissatisfied (19%) with management. Twenty-seven percent were neutral and

only 8% were very satisfied. Understandably, the highest ratings came from leaders. The difference between leaders and other shareholders in level of satisfaction with management was significant.

These differences did not extend to residents' overall satisfaction with their apartments and building. Leaders and non-leaders alike reported a very high degree of satisfaction with both. In fact, only 6% of residents were dissatisfied with their apartments and only 11% were dissatisfied with their building. Ninety-two percent were satisfied with their own apartment, and 62% were very satisfied. These levels of satisfaction are consistent with those found among tenants in buildings sold through the Tenant Interim Lease program by Leavitt & Saegert (1985) and in earlier studies of limited equity cooperative residents (Lawson, 1986; Kolodny, 1973).

Neighborhood Evaluation

As pleased as people were with their apartments and buildings, they were far less happy about the condition of their blocks and neighborhoods. Only about half of the people were satisfied with their block (51%) and neighborhood (48%). Thirty-nine percent were dissatisfied with the neighborhood and 31% with their own block. It is interesting to note that while there was no significant difference between leaders and other shareholders in satisfaction with their apartment or building, leaders were significantly more likely to be satisfied with the block or neighborhood.

It is surprising, in fact, that dissatisfaction wasn't greater, in light of the fact that 77% of the residents believed that drug dealing was a serious problem in their neighborhood. The study area contains some of the city's poorest communities, with the highest crime rates and worst services. Landlord abandonment was highest in such areas, and it was landlord abandonment that created the first condition for tenant ownership.

Although some co-ops are in areas experiencing a degree of gentrification, we observed blocks of vacant and abandoned buildings, vacant storefronts, and a great deal of drug-related activities on our visits. The community context and changing neighborhood dynamics and economic fortunes will have a profound impact on the cooperatives.

While recognizing the gravity of neighborhood problems and expressing much greater dissatisfaction with their neighborhoods than with their own homes, residents exhibited an attachment to their communities greater than the level of satisfaction. Some 45% strongly disagreed when asked if they'd like to move to another neighborhood, and another 16% somewhat disagreed. A number similar to those dissatisfied with the area in which they lived (31%) agreed they would like to move although this was often foreseen as something far in the future, as in a dream to leave New York City.

There is every indication this proportion would be much lower if the communities were not drug-ridden and often crumbling around them. After all, 85% of residents were proud of their cooperative, 92% were satisfied with their apartment, and 72% felt that other people in the neighborhood cared about them. Ninety-three percent found their housing to be affordable, and many highly valued the security of tenure they had achieved.

In spite of severe perceived (and real) local drug problems, less than one-fourth (24%) of the residents said they didn't feel safe in their neighborhood. This is particularly noteworthy since three-fourths of the sample were women. Research consistently shows higher perceptions of danger in public places, such as streets, among women. Perhaps this feeling of safety can be partially attributed to the familiarity of the residents with their communities. After all, the average length of residence was 17 years, and many people had already lived in the area before moving to the co-op, or had previous ties. For example, 56% of current residents knew someone who lived in the building before they moved there. Also, 66% of the respondents felt they knew the concerns of other neighborhood residents.

Thirty percent of those interviewed reported attending neighborhood meetings. One-half (47%) said there was no block association on their block. One-fourth didn't know if there was a block association. Only 13% reported that they ever attended block meetings. While still small, there was a significant difference in the proportion of leaders that attended neighborhood meetings, and the proportion of non-leaders. The effect of co-op residency is a matter of controversy in the literature. There is, however, no baseline data available to know if these numbers are high or low.

Many residents, leaders and shareholders alike, told us that they felt isolated. They didn't know of other cooperatives in their neighborhood, even though there may have been several within a few blocks. They were also largely unaware of community associations, and did not feel connected to those they did know about. A strong desire was expressed to be more connected with others in the neighborhood. Some felt they could learn from others, or work together, and some felt they had something to offer after years of experience. A number of building leaders said they would be able to spare other buildings much frustrating trial and error because they had followed the same path and now knew what the results would be.

Communication and Conflict

The greatest source of frustration for residents was in the area of communication and social dynamics among shareholders, or between leaders and shareholders. Every co-op experienced some level of communication problems and factionalism. This was expressed in the low rates of participation in some build-

ings and the blame that went back and forth about decisions and responsibility. Two-thirds of shareholders claimed they knew their organization's policies regarding such major issues as the setting of resale prices on apartments, tenant selection and repairs, but one-third said they did not. Three-fourths felt that shareholders were informed of new policies. Getting to the heart of the level of disagreement among shareholders, 41% reported conflicts in their building at some time over the interpretation of policy, and 32% disagreed with some co-op policy.

The personality conflicts and blocked communication that impeded the resolution of disputes had an impact on how residents described the social life of their building. Only 19% strongly felt a sense of community in their cooperative, and slightly less than half (48%) thought there was any sense of community in their buildings. Likewise, 44% thought it was often or always like a family, while 39% felt their cooperative was never or seldom like a family. Eighty percent of the residents felt that social functions should be held in the building and that they were important to restoring a sense of community. Based on the levels of satisfaction with their building, the strong attachment to both building and neighborhood noted above, the pride (85%) residents felt, and the overall feeling of success they expressed, it was clear that residents have so far, at least, disassociated a fair amount of internal social strife from the overall positive experiences of cooperative ownership.

CONCLUSIONS

This study identifies a number of strengths as well as problem areas in limited equity cooperatives in New York. The study also provoked in us a number of suggestions for how to proceed to improve the overall situation in the cooperatives. For example, an indirect but crucial element of supporting good relationships between leaders and other shareholders is to provide access to sufficient resources to keep essential services functioning. Nothing damaged faith in buildings' leaders more than an inability to correct critical problems, such as weeks without heat.

Such problems are caused in part by a lack of externally provided resources. Other problems involve the internal structure of the cooperatives. For any of these community actions to be effective, the internal features of the cooperatives that have sapped energies and participation must be addressed to regain the sense of collective empowerment and achievement found in the early phases of conversion.¹⁰ A direct approach that we believe needs to be a prime component of technical assistance is to address organizational development. The importance of organizational development and good social relationships is integrally connected to the co-op's ability to move forward in other areas.¹¹ Techniques have been created and used successfully in corporations and govern-

ment, and existing models could be adaptable to co-ops. Additionally, leadership training is needed, as is more convenient training and education that is targeted to shareholders, rather than just leaders.

This study was the first part of long-term planning for physical conditions. However, for long-term plans to be feasible, there must be some possibility of obtaining the resources that will be needed to implement them. To determine what these resources would be, construction consultants should be available to evaluate and estimate the future costs of structural problems. All buildings should engage in developing their own long-term plans, and the culmination of the program for the City should not come at the time of sale, but rather through permanent provision of a sound low-income housing stock.¹²

Both the direct and indirect benefits of cooperative ownership should be recognized not only as a product, but as a resource for community development and self-help. The interlocking and generative relationship between cooperatives' problems has meant that the effects of City policy have reached into all aspects of a building's life. On the positive side, supportive programs and policies can create benefits beyond that which is the direct, intentional outcome. For example, as tenants in abandoned buildings organized to prepare themselves for ownership, some learned a great deal about their own abilities and began to feel empowered by their achievements, which in turn provided a strengthened resource for broader community development.

On the negative side, many active residents had their energies drained by the internal struggle to keep their buildings functioning. Of particular concern is the sense of isolation residents expressed. Both feelings developed over time as residents internalized and operationalized the message that, after sale, they had no one but themselves to achieve the task of providing good, secure and affordable homes. In reality, private ownership was only the first step on the way to this goal, which requires ongoing vigilance, resources, and leadership.

There are many ways to turn this around that require very little input by government. For example, coalitions of cooperatives located in the same neighborhoods or coalitions that include city-owned buildings are a possibility. Locally based rather than city-wide training would automatically create a situation where community residents would meet each other and discuss local issues. The development of a mutual housing association has been recommended in the past and is now being explored as a continuation of this project in conjunction with the ongoing efforts of Self-Help Works. (Self-Help Works is a cooperative organization formed by UHAB and co-op leaders to provide low-cost services and advocacy for cooperatives and tenant interim lease buildings).¹³

Finally, long-term plans and technical assistance training should be sensitive to the stages a cooperative organization goes through, as all organizations change over time. For co-ops we can now identify some of the changes and plan ahead.

The organizations themselves need to be aware of the different phases, some of which are inevitable, and some of which may be avoided by awareness of potential pitfalls. This will enable them to recognize some of the issues they face as typical of co-op development, rather than as flaws in their operation.

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NOTES

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- ² Combining the goals of both organizations, HERG obtained funding from the Robert F. Wagner Sr. Institute of Urban Public Policy which was supplemented with CUNY faculty research awards, student fellowships, a small consulting contract, and student interns. UHAB received a grant from the Fund for the City of New York and J.P. Morgan & Co., Inc., and had done some start up work on the project with the assistance of a grant from the New York Community Trust.
- ³ The Utica Avenue Coop is a real case study with an assumed name.
- ⁴ For a discussion of the Lubavitch Community contact Lee Rivlin at the Graduate Center, the City University of New York, Environmental Psychology Program.
- ⁵ Four studies of limited equity co-ops in New York trace the development of these co-ops from the late sixties through the early eighties. Kolodny (1973) documented the experiences of tenants who took over their buildings in the sixties and early seventies. The tenants he studied organized on their own or with the help or sponsorship of various housing advocacy groups. His data revealed some differences among those co-ops that had actually bought their buildings and those that were in the organizing phase. Similarly Leavitt and Saegert's (1988, 1990) studies revealed large differences in organizational sophistication, leadership development, amount of technical assistance, and financial stability between co-ops that had bought their buildings and those still in the process. Lawson's (1983) study and the cases of two buildings that failed in the co-op process and reverted to city management reported by Leavitt and Saegert (1990) also show that threats to the existence of the co-op persist during the period of organizing and after sale as a co-op. All the studies show that the success of the effort to form co-ops and their success once formed are effected by both internal and external dynamics.
- ⁶ The first six months of the project were used to develop the initial set of instruments and hire staff. As a pilot, UHAB developed a process to review and to document existing conditions and procedures in individual co-ops covering physical, financial and organizational characteristics of the cooperative to be completed at meetings with members of an HDFC's Board of Directors. This was tested by a UHAB coordinator in one building. As a result of this initial effort, UHAB and HERG tailored the management review process to cover

physical and financial conditions, building history, social relations and management procedures. Completion of the questions in this document required two or three meetings with the Board, and included a self-administered section that was left, usually with the Board President or Treasurer.

Four other data gathering techniques were developed to obtain additional information. The main supplement to the management review process was a shareholder/tenant interview, designed to capture residents' experiences, perceptions and knowledge about building affairs. It included a large section of scaled questions on participation, values, satisfaction, and sense of efficacy for statistical analysis and comparison.

Researchers also prepared a summary of neighborhood characteristics, and a summary of group dynamics for each building. A physical inspection was planned but never undertaken due to lack of project funds to hire a construction specialist.⁷ Expectedly, dealing first and directly with individual residents rather than the leaders entailed problems of its own. Without a review component as the basis for outlining how the building was being managed, we knew less about the history and structure of the organization. We learned some of this from UHAB staff, and some from each resident interviewed, but the level of detail the management review was intended to capture was missing. Meetings for the management review also provided the researchers with a presence and legitimacy in the building that was lacking when they went to buildings without residents being aware of their purpose. Anticipating this, all buildings were approached through a contact person, and flyers and descriptions of the project were delivered to every building to be posted and distributed. Nonetheless, residents invariably said they had not seen these and were unaware of what we were doing. In these cases, researchers made several visits to the buildings, scheduled appointments repeatedly and often made trips to the buildings that resulted in no interviews.

⁸ This appears to be the result of the Boards feeling threatened after an initial meeting that something negative about the building or their leadership might be exposed. All three of these buildings had serious problems.

⁹ In most buildings the response rate was approximately 25%. In several buildings it was close to 50%. It was more difficult and labor intensive to reach a response rate of 25% in the last buildings where no board meetings were held first.

¹⁰ The positive results of the combination of resident effort, technical assistance and policy are the high levels of satisfaction with apartments and buildings, the high ratings on pride, commitment and overall success, the low turnover, and the security of tenure and control residents reported. Not least of the cooperatives' success is the low-income population they are still serving, and the excellent affordability they have provided for this population in the face of extreme financial difficulty.

¹¹ The connection between individuals, neighborhoods and government policy requires much more specific analysis than is appropriate here. We can only reiterate the point that there exists a dialectical relationship between the political/economic fortunes of communities and individual or collective actions. Co-ops continue to play a significant role in that dialectic—both as individual residents and the co-op organizations contribute to changing perceptions and realities within their communities, and as those communities exert pressures on the internal functioning of the co-ops. This translates into policies that do not view buildings or residents as independent of their community, the policy context, the economics of the larger society, or the ideological and cultural traditions that effect goals and actions. In the simplest terms, co-ops need supportive, not destructive external environments, if they are to achieve progress internally as homes, or extend their achievements to their block and neighborhood.

Obviously, both the deterioration of neighborhoods and their gentrification threaten low-income housing, which is not easily replaceable elsewhere. The results of this research demonstrate, in fact, how much the success of a low-income housing program may depend on the long-standing attachments to neighborhood and social networks of residents. Displacement and dispersion of residents destroys the social and psychological bases from which residents can work collectively and effectively to achieve material improvements in their housing and their community.

As services decline and crime increases, social networks and feelings of commitment are jeopardized, even before actual physical displacement occurs. Neighborhood conditions play a vital part in how residents feel, and act, towards each other, their home, and community issues. Conditions that seem intractable, and are ignored or mishandled by government, will only elicit participation by a few. A full public collaboration to solve neighborhood problems is much more likely to bring out the many other residents who are concerned, but have given up hope that they will be heard.

In some of the sections of Harlem and Brooklyn in which we worked, neighborhoods have made inroads against abandonment and crime, and their communities are improving. The co-ops, by their very existence, assisted in this process. Most often, though, it has not been an active participation, and has not capitalized on their strengths and resources.

¹² Cooperatives are still housing a largely low- or moderate-income population because they choose to turn apartments over to friends or relatives from the community, and are committed to affordable housing. The pressures on each individual building to abandon this is much stronger than any support to continue. However, city policy has not laid a foundation for maintaining affordability, in spite of the existence of resale restrictions imposed by the City. The current restrictions are unenforceable, not uniformly interpreted or imple-

mented, and not permanent. Many buildings now sell vacant apartments at relatively high prices, although almost always well below market. Usually the reason for such sales prices is the need of the organization to obtain funds for building repair, which is unavailable through any other means.

¹³ Cooperative organizations are social systems, not mechanical ones. While technical assistance correctly is concerned with the building and its management as mechanical operations, equal emphasis must be given to the life of the organization. The cooperative residents need a smoothly running social system in order to most effectively manage the technical and mechanical operations. The existing networks are developing supports for each other to aid each building in the maintenance and operation of their cooperatives (i.e. special training sessions to increase tenant involvement and improve participation, sharing contractor lists, sharing managers, negotiating special arrangements with local merchants like hardware stores.

Third, cooperative housing organizations have common interests and goals, particularly those located in close proximity to each other. They face similar difficulties which are beyond the scope of individual buildings to solve alone, such as increased drug and crime in their neighborhoods, and the ability to continue long-term as sources of affordable housing. Neighborhood networks can collectively work to take on problems outside of the buildings to improve the quality of life or increase the availability of services. Co-ops participating in the existing networks are working on projects such as developing community gardens in vacant lots, after-school youth programs in building basements, crime prevention patrols, petitioning for more school cross-walk guards, block clean-ups, street light repairs, etc.

Fourth, limited equity housing cooperatives have common interests and goals that extend to city-wide issues. Network co-ops are in the process of organizing to create a city-wide link between the several networks. These coalitions are working on issues such as obtaining tax relief for the cooperatives and advocating for a more equitable water and sewer charge that is affordable and rewards water conservation efforts.

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FOR RICHER AND POORER: A CASE STUDY OF MIXING INCOME LEVELS IN TORONTO COOPERATIVE HOUSING

Margaret C. Rodman and Matthew Cooper

In Canada, the principles of broad access and social mixing have been important in the development of the cooperative housing movement. Co-op housing activists argue that including a broad cross-section of society in housing cooperatives provides benefits both to the residents and to society at large (CMHC 1990:42-43).

The rationale for creating mixed-income housing projects generally rests on three broad arguments. First, living in mixed-income housing is thought to improve the general quality of life for people in lower-income households. Second, income mixing is claimed to make housing co-ops more acceptable neighbors. Thus, neighborhood resistance to such projects may be overcome. Third, mixed-income housing may provide necessary housing assistance for people whose income exceeds the low-income classification, thus offering greater equality of opportunity for a broader range of people than housing entirely for lower-income households (CMHC 1990: 39-43).

The argument against socially mixed housing projects also is complex. Critics claim that homogenous communities are preferable because shared backgrounds and lifestyles minimize conflict among residents. Low-income people in this view may have difficulties being socially integrated into mixed-income projects (City of Toronto Housing Department 1991:15-16). Taxpayers may object to indirectly subsidizing housing for middle-income households, arguing that co-ops should provide units only for those in greatest need.

The success of socially mixed housing is difficult to measure, in part because social mix is only one element in residential satisfaction (Vischer 1986:317). Social mix is also difficult to define, for it can refer to a mixing of occupations, income levels, household types, and other dimensions.

Little information is available beyond survey research to describe residents' lived responses to social mixing. In this chapter, we provide such material. We consider how cooperative housing residents experience the benefits of mixing different income levels within particular co-op projects. We also describe how residents work out problems that emerge over time in mixed-income housing

cooperatives. The data come from a three-year ethnographic case study of Harbourside and Windward, two recently established co-ops in Toronto (Cooper and Rodman 1992).

Windward Co-op consists of an eight-story apartment building flanked by stacked townhouses, providing in all 101 residential units. During our study, the co-op had about 160 members and a total population of roughly 250. It opened at the end of 1986. Harbourside opened in mid-1986. Its 54 units, consisting of two-story townhouses with one floor of apartments above, built around three sides of a courtyard, housed roughly 80 members and about 140 residents in total. Both co-ops are located on Bathurst Quay in the western end of an upscale, redeveloped waterfront area in downtown Toronto.

NOT JUST A PLACE TO LIVE

Trying to shatter stereotypes of cooperatives as low-income housing, the Cooperative Housing Federation of Canada developed a promotional film called "Not Just a Place to Live." It tries to educate prospective co-op applicants about the diverse mixture of people co-ops bring together and underscores the importance of local control. Members' choices help determine how they want to live, the film points out, and people working cooperatively can do together what they could not accomplish on their own.

The film made a lasting impression on Judy Jameson, a Harbourside member. In 1984 she was living with her three-year-old son in Metro Toronto Housing. The apartment depressed her. The project was filthy, overrun with cockroaches, and no one seemed to care how the building looked.

She felt surrounded by people with whom she had nothing in common except their shared predicament as single mothers in need of assisted housing. She wanted to find a place to live where her child could relate to families other than those composed of poor single mothers and their children. Through friends, she heard that co-ops offered attractive, affordable housing. She applied to Harbourside after seeing "Not Just a Place to Live."

One of the things I remember from that film was that they said a co-op is where you expect to see people going to work in the morning in their Cadillacs, on their bikes and on public transit. I thought that was kind of neat. I think we do have a Cadillac that lives here somewhere. And to me that's how it should be.

She liked the mixing of income levels as well as family types. And she liked not knowing or caring who was receiving a rent subsidy.

I mean if somebody's a lawyer and his wife's an architect then you know that they're not on subsidy. But to me it doesn't make a difference. Maybe it's because I'm on subsidy. I don't know. But I

never think of myself as different to anybody else just because I'm subsidized. To me that's one of the reasons we [single mothers] are here. Because we want a decent place to live and we want somewhere to bring our children up. We could all be living in Metro housing and know we were all subsidized and be suicidal!

HOUSING COOPERATIVES IN CANADA

Over the past half century, nonprofit housing co-ops have emerged in Canada as an innovative way to try to meet the needs of people like Judy Jameson and her neighbors (Laidlaw 1977, Selby and Wilson 1988, CMHC 1990). Most contemporary Canadian housing co-ops are "continuing" cooperatives—that is, ones in which active members reside in and jointly own the entire project but have no individual equity or shareholding. The first such project was a student housing co-op at the University of Toronto in 1934. However, it was not until the 1960s that cooperative organizations and trade unions got together to organize non-student continuing co-ops.

The success of the few pioneering continuing co-ops led to the creation of the Cooperative Housing Foundation (today, Federation) of Canada in 1968. By 1978, the nonprofit and cooperative program was sustained by a mix of direct federal funding and loan guarantees (CMHC 1981, 1983).¹ Thirty-five-year mortgage loans from private lenders provided 100% of capital costs. Canada Mortgage and Housing Corporation (CMHC) provided start-up funds, money for rehabilitation of existing buildings, and grants to community resource groups to help develop projects as well. CMHC also required that projects house people of different income levels, some of whom would receive subsidies allowing them to pay rents geared to their incomes. The 1978 program was well-received. Between 1979 and 1985, about 900 new projects added 34,000 units to the co-op stock (Selby and Wilson 1988: 11). The co-ops we discuss in this chapter were developed under this program.

For each co-op, CMHC provided a total grant based on the difference between the monthly amortization payment on the mortgage at market rates and what the payment would have been at 2% (up to a maximum of \$500 per unit). Rents were set at the low end of market rents for the area.

Two sorts of subsidies became available to co-ops. CMHC paid the difference between the true economic rent and actual rents to the co-op as a general subsidy.² Thus, even though most members paid market rents, all members of the co-op indirectly were subsidized. Money left over (that is, the difference between the total grant and the general subsidy) formed a pool to provide direct rental subsidies to at least 15% (later 25%) of member households. For these households rents were subsidized down to 25-30% of income. Each co-op administered its own subsidy pool. What kind of residential communities would emerge from the social mix that such a subsidy structure encouraged? Windward and Harbourside Co-ops provided us with an opportunity to find out.

YUPPIES OR PEOPLE ON WELFARE?

Before Windward opened it was criticized as a co-op for yuppies who wanted to be able to moor their yachts near their lakefront homes. Others feared that the co-ops and public housing on Bathurst Quay would become Harbourfront's ghetto, filled with people on rent subsidies. Surely, it seemed, social housing would drag down the image of Harbourfront as a centre for the arts and as a prestigious place to live. Or the opposite would happen. Those without much money would find they had no place to live on the waterfront after all.

In fact, neither scenario happened. The co-ops started out as and remained a mixture of richer and poorer people. For reasons we will explore in this chapter, neither drove out the other.

In part, the co-existence of people with different income levels was built into and protected by the co-ops to try to avoid some of the problems associated with public housing. Further, both the relatively affluent and those in need of assisted housing benefitted financially from living in the co-ops. Finally, the mixture of richer and poorer residents brought with it a variety of family types, ethnic affiliations, interests, and views that many residents found stimulating and enlivening. This mixture is part of what makes co-ops attractive to both richer and poorer residents. It also contributes to certain tensions.

In this chapter we consider what mixing incomes meant to people living in the two co-ops. Reflecting society at large through the creation of mixed-income communities has been a fundamental goal of the cooperative sector. Yet government support for mixing incomes has been tentative at best. While this largely reflected a political and economic climate of restraint and conservatism, it also was a product of uncertainty about what benefits actually accrued to residents living in mixed-income projects. It is clear that ghettos of low-income households do not work, but the benefits of mixed low- and middle-income housing are not yet well-documented.

We cannot judge what the "best" mix of incomes may be, but we can offer an assessment of how well the mix in these two co-ops worked for residents in the projects' first few years. Here we consider economic advantages to residents and the costs to government of mixed-income co-ops. We evaluate the impact of subsidy status on participation rates and members' satisfaction with living cooperatively.

We also explore the views co-op members held initially about living with neighbors who were considerably richer or poorer than themselves. We consider how and why those views changed during the three years of our study. Some learned greater tolerance and developed deeper understanding of people different from themselves. Others found their attitudes moved increasingly, as one disgruntled member put it, "to the right of Genghis Khan." We assess differences between the two co-ops on issues related to income mixing. And

we consider the future of income mixing in the two co-ops as more subsidy funds become available internally.

On balance we conclude that income mixing provided much of the vitality of these two co-ops. One sign of the success of this mix is that there was no simple division between market rent and subsidized people in either co-op. Instead we found a continuum of people with a variety of income levels whose housing was subsidized to different degrees. Members did not always line up on co-op issues according to subsidy status. Rather, our survey and interviews revealed people trying to work out what it meant to live among neighbors who were a few or many degrees different from themselves. These differences were not only in income, but often in cultural background, occupation, and family structure. Local control backed by a mandate to include low-income households, we conclude, is the key to understanding how and why mixing income levels worked in these co-ops.

Single parents like Judy Jameson are not the only ones for whom mixed-income cooperatives are attractive. Other kinds of families and single people in need of rental assistance also may welcome the mix of income levels in the co-ops. So may people with special needs. Cooperatives can provide a "normal" independent living environment for people with physical disabilities, as was the case at Windward Co-op (Rodman and Cooper 1989; Cooper and Rodman 1992). Many people with special needs require assistance to meet their housing charges while some can afford to pay full rent, so a mixed-income building that is completely accessible, such as Windward, is especially appropriate.

There are benefits that the co-op sector considers mixed-income co-ops to provide to members. Security of tenure in the co-op combined with the availability of subsidies creates a stable housing environment for members, whatever their income. This security allows a low-income single mother, for example, to go to school or train for a job that will enable her to get off the housing charge subsidy eventually. It allows her independence, for example, from a boyfriend, ex-husband, or parent on whom she might otherwise be dependent for help in paying the rent.

As well, the housing environment is a continuing presence in the members' lives that is thought to instruct by example. A middle class pride of place may be something all members come to share, or so members from that background hope. Co-ops provide a place for people to learn new skills from each other, especially through committee work, and to develop self confidence. Finally, mixed-income co-ops offer the possibility of a sense of community in that they integrate a "slice of life" rather than housing only those in financial straits.

A member of one of the co-ops we studied gave an example that sums up these benefits.

A subsidized rent is a really important thing to people. You know it gives them not only security of tenure but security of mind. A friend of mine went into a co-op at a fairly late stage in her life. She was separated with two kids and was on subsidy. I remember how proud she was when she called me up one day. She said, "I'm not subsidized any more!" I mean she'd made it. It was one of the marks of making it. For that reason she felt really good, and she also felt good that there was now another subsidy available for someone who needed it.

The subsidy had really made a difference...It gave her at least the breathing space financially. It also gave her a lot of informal support in terms of community. There were babysitters available and there were people to yell at when life became too much. And there was dignity and respect, you know. The potential to take on real leadership and learn. She got really good training in leadership skills.

MIXED-INCOME CO-OPS AND MIDDLE-INCOME PEOPLE

It is easy to see why low-income single mothers and people with disabilities might be enthusiastic about mixed-income cooperatives. But what about two-parent families who earned too much to receive housing charge assistance? What attracted them to the mixed-income aspect of these projects?

More than half the households in both co-ops paid full rent. Median household incomes in both co-ops were \$40,000-49,000 before taxes, according to a survey we conducted in 1989. Why were people who earned such incomes living in places that also included 40-45% low-income, subsidized households?

One answer which we will consider in some depth in the next section of this chapter is that every household, whether directly subsidized or not, derived economic benefits from the way co-op financing was structured. Affordable housing was the main reason people joined both Harbourside and Windward. This was a concern that those earning just enough to pay the rent shared with those who were not earning quite enough to pay it without assistance.

Incomes in the \$40,000-50,000 range did not allow a family to live particularly well in Toronto. By the time we completed our three year study in 1989, Harbourside Co-op had raised the income ceiling for housing assistance to \$44,700. In other words, a family could earn that much and still be eligible for housing charge assistance because rent exceeds 30% of its income. In this housing climate, the availability of emergency subsidies benefitted professionals as well as lower income people. For example, one professional couple told us how much they appreciated receiving an emergency subsidy when they both suddenly lost their jobs.

Second, many wealthier people joined the co-ops for reasons that had nothing to do with the mixed-income nature of the projects. The opportunity to live with people poorer than themselves was not nearly so attractive as the chance, from the single mother's perspective, to live among more affluent two parent families. Rather, as we have pointed out elsewhere, the co-ops seemed attractive because of the shortage of rental housing in Toronto, and especially the shortage of housing affordable for middle-income households. The co-ops' waterfront location drew higher income people as did Windward's appearance. Sharing this location with less well off co-op members was often a secondary consideration, but one that had consequences for all concerned.

Some co-op members talked about a third, non-economic dimension of the income mix, one that attracted them to cooperative living. They tried to express to us the hopes they had for the co-ops as places that, partly through mixing income levels, would become communities of like minded people. Some wealthier professional residents lived at Harbourside or Windward as part of a commitment to bring about social change.

Others just liked the diversity. One anonymous comment written at the end of our survey observed,

Harbourside is a great place to live. It is an excellent location. There is an excellent mix of people and always something going on on weekends. I have owned a couple of homes and can afford to buy another one, but I prefer to live at Harbourside due to the mix of personalities, ethnic, and social groups. This is truly a small community in the middle of a big city.

For this person, mixed uses, mixed-incomes, and mixtures of people were stirred into community in the co-op.³

HOW AND WHY INCOMES ARE MIXED IN HOUSING CO-OPS

Too often in North America, "public housing is really a graveyard of good intentions" (Sayegh 1987: 340). Low-income rental projects have created serious "sociological problems, inflation and resentment on behalf of subsidized tenants, neighborhoods and taxpayers" (ibid.: 345). One of the failures of public housing that cooperatives seek to overcome is the challenge of working housing for low-income people into ordinary neighborhoods.⁴ Mixed-income co-ops, in other words, are a way of responding to NIMBY (Not In My Back Yard) protests and encouraging community acceptance.

Income integration was one goal of the 1978 cooperative housing program, under Section 56.1 of the National Housing Act, which financed Windward and Harbourside. This was "in part a reaction to the social and community acceptance problems which faced large-scale public housing projects in the 1970s"

(CMHC 1983: 5). Community acceptance, it was hoped, would be greater for mixed-income cooperatives in which members shared responsibility for maintenance of the housing.

Income mixing was built into the Section 56.1 program for two additional reasons (*ibid.*: 162).

First, a mix of assisted tenants with tenants paying market rents would contribute to the financial viability of the projects. Second, social problems associated with projects which contained high concentrations of low-income households would be reduced.

The contract between Canada Mortgage and Housing Corporation (CMHC) and the co-ops that were created under Section 56.1 required that at least 25% of the households must be in need of housing charge assistance.⁵ Federal subsidies provided assistance to households which would otherwise have had to pay more than 30% of their gross income in rent. The percentage of income payable in rent was determined on a sliding scale. For example, initially Harbourside households earning less than \$16,000 were expected to pay no more than 25% of their gross income in rent, whereas it was acceptable for those earning up to \$35,000 to pay as much as 30% of their income in rent before receiving assistance.

Subsidies funded by the federal government were administered by each co-op. The size of the pool of subsidy money available to a particular co-op was determined by a formula that also reduced everyone's rent to the low end of the market for the area.⁶ This formula began with a calculation of mortgage payments that would be required to amortize a 35-year mortgage for 100% of the capital costs at current interest rates. Next, the payments needed if the interest rate were only 2% were calculated. The difference between these two figures was the amount of monthly assistance for which the project was eligible. At Harbourside, for example, the difference on capital costs of \$3.9 million between payments at the prevailing rate of 11.625% and 2% amounted to \$298,185 in 56.1 assistance annually, or \$24,849 per month.⁷

The monthly assistance money from CMHC was used, first, to reduce all housing charges in the co-op to the low end of market rents charged for similar housing in the neighborhood. This was calculated only once, at the time the co-op opened. This amount was called a Mortgage Interest Reduction Grant (MIRG) under Section 56.1. At Harbourside the MIRG was \$136,187 per year. Initial reduction in each household's rent averaged \$198 per month (\$2,376 annually). This subsidy benefitted all residents financially. But because it was invisible members sometimes needed reminding that everyone in the co-op, not just households that paid rent geared to their income, was on subsidy.

The subsidy pool available for further housing charge assistance was derived from the difference between the total monthly assistance for which the

co-op was eligible and the MIRG. Harbourside's 56.1 annual assistance total of \$298,195 less a MIRG of \$136,187 left an initial subsidy pool of \$161,998, or \$13,500 per month.

The total amount of assistance the co-op received from CMHC was constant for the term of the mortgage, but the relative amounts of MIRG and subsidy pool changed after the first three years.⁸ The scenario is that in the fourth year the "step out" period begins. The mortgage payment increases by 5% compounded annually until the co-op finally bears the full load of mortgage payments at the conventional interest rate out of its housing charges. Since the total amount of assistance remains unchanged, the decreasing MIRG frees up more money for the subsidy pool. So, as rents rise under pressure to pay more of the mortgage, more households may qualify for rent geared to income subsidies. The money will be there to help them because the subsidy pool increases as the amount of MIRG goes down.

A co-op has considerable latitude in deciding how to allocate its subsidy pool so long as it meets the Section 56.1 requirement that at least 25% of households receive housing charge assistance. It is usual to leave some funds for emergency subsidies in case, for example, members lose their jobs or become ill and are unable to work temporarily. The remaining funds are spread, thick or thin, among households requiring reductions in rent on a more permanent basis.

We should emphasize that the range of actual rents paid in these co-ops was great. At Harbourside, housing charges at the time of our 1989 survey ranged from \$1,045 per month for a four bedroom townhouse at full rent to \$136 for a heavily subsidized two bedroom unit. Approximately 45% of the co-op households received housing charge assistance. At Windward, rents for the same period ranged from \$1,367 for the most expensive four bedroom unit down to \$32 for the most deeply subsidized one bedroom apartment. In 1989, between 41% and 46% of Windward households were on subsidy.

Figure 1.

DISTRIBUTION OF SUBSIDY POOL
WINDWARD CO-OP, 1 JANUARY 1988

% OF HOUSING CHARGE PAID BY HOUSEHOLD	HOUSEHOLDS (WITH DISABILITY + ABLE BODIED)	TOTAL SUBSIDY (MONTHLY)	AVERAGE SUBSIDY PER HOUSEHOLD
> 50%	11 (3 + 8)	\$ 3,307	\$301
20-49%	19 (7 + 12)	\$10,120	\$533
< 19%	43	\$21,548	\$501

The distribution of the subsidy pool at Windward in January 1988 illustrates how the co-ops tried to maintain a mixture of deep and shallow subsidies. As Figure 1 shows, an average of \$301 per month subsidized housing charges for eleven households able to pay more than half of the rent themselves. A further nineteen households which could pay at least 20% of the rent themselves received an average of \$533 monthly in housing charge assistance. For the thirteen households unable to afford even 20% of the rent, subsidies amounted to \$625 per unit. The total subsidy pool at that time was \$21,548 each month. Nineteen of Windward's twenty-seven members with disabilities needed some degree of assistance to pay their housing charges. They accounted for almost half of Windward's subsidy pool.

The Section 56.1 nonprofit and cooperative programs were evaluated unfavorably in 1983 and phased out in 1985. The evaluation (CMHC 1983: 8) concluded that:

programs are ineffectively targeted to those most in need. Depending on the criterion used, between 47 and 69 percent of the households served by the programs would be considered to be low- and moderate-income. Only 21 percent of the programs' client group are low-income households using the Statistics Canada low-income cut-offs, although the incidence of need for housing assistance is overwhelmingly concentrated among this income group.

Subsequent programs have emphasized better targeting of housing for people in the greatest need. For example, under the 1986 non-profit program 40% of units are designated as deep subsidy, 40% receive shallow subsidies, and only 20% pay market rents. Housing entirely for low-income households also is making a comeback.⁹

Perhaps because they came into existence in this climate, both Windward and Harbourside included far more households on subsidy than they were required to under the 56.1 program. As the mortgage step out proceeds and their subsidy pools increase, it seems reasonable to expect that the percentage of households receiving housing assistance also will rise.

DIFFERENT INCOMES, LIKE-MINDED PEOPLE

There is much more to mixing incomes in housing cooperatives than the economics of MIRGs and subsidies. Some moderate-income people, like their richer and poorer neighbors, joined the co-op partly in hopes of finding more than an affordable place to live. In one of our 1987 interviews, a couple discussed the kind of community they sought in joining Harbourside. Their comments point to some of the perceived benefits that flow, at least indirectly, from mixing incomes. They spoke of joining the co-op to escape a ghetto of working class people more or less like themselves in income level, but worlds apart in their attitudes and interests.

Ted and Kathy lived in the Toronto suburb of Scarborough before applying to Harbourside. As Ted said, they lived

way out there. And it doesn't matter where you go, beyond a certain point in Scarborough everything is a six lane highway. You've got little shopping plazas here and monstrous apartment buildings there. And it doesn't matter what street you're living on [it's all the same.] We were living in an apartment, and just living in that apartment would have been enough incentive to move anywhere else. The neighborhood was terrible. You knew that it was spring not by the first robin but by the first smashed beer bottle!

More than the neighborhood bothered them. Ted stayed home with their baby and worked as a freelance writer while Kathy returned to her job as a secretary.

I used to take [the baby] out every day. One day I had this overwhelming feeling that the people who were living in that apartment building were just waiting for something to happen. I never quite understood what it was they were waiting for. It was not necessarily horrible. But there they were. They were spending their lives in this place and there was no change.

As far as they were concerned, the seasons passed but it really didn't matter. It really didn't matter if their rent was hiked. It really didn't matter if they lost their jobs. It didn't matter if they found new ones. It didn't matter if their kid failed grade two. It didn't matter. It wasn't as high minded as this, but it was almost as though there was this transcendent feeling of 'Oh, well, this too shall pass.' But of course it was nothing like that. It was just that they had given up.

It was a working class, petty criminal kind of place. I had the feeling that these people had been kicked once too often. Louis Brandeis, the Supreme Court Justice in the United States, said that even a dog knows the difference between being kicked and being tripped over. Well, I don't think they knew the difference. I really couldn't put my finger on it until one day I walked outside and I'd just seen too much dogshit and broken beer bottles in the parking lot. Then I realized I'd been there for six years and I was in the same position [as the rest of them]. The atmosphere, it seemed, was slowly pressing in on me.

Ted pointed out that the basis for their negative feelings was not a matter of class differences.

It really has nothing to do with educational background or anything like that. I mean for a long time I worked at construction, road construction. And most of the people over there were constantly trying to improve themselves. So it wasn't that there was a different class of people in the broad sense, but I found great difficulty in conducting a conversation with anybody over there.

At Harbourside, Ted and Kathy found people who were richer and poorer, but who were like themselves in other ways. As Ted commented:

One great advantage of moving into this co-op is that I found more people in the space of two weeks with whom I could hold a decent conversation than I had in the whole seven years I lived in the other place.

This sense of having something in common with people in the co-op cut across subsidy and income lines. Ted's view was one we heard Harbourside residents express often. We heard it from people who earned high incomes and from those on deep subsidy, from those with masters degrees and those who left school at the age of fifteen. This sense of shared values, however, was less evident at Windward.

The size and design of the two co-ops made a difference here. Harbourside is about half the size of Windward and a large proportion of the units (29/54) are townhouses. Townhouses opening onto a courtyard encourage casual socializing with the neighbors. Kathy explained:

We don't invite a lot of people over here. And they don't come to our door. Occasionally, yes, but not on a regular basis. We do our socializing outside in the common areas, in the front shovelling snow, in the back when the kids are playing.

Harbourside's neighborliness had a price. Kathy said, "You see one of the advantages of being in a co-op is that you have all these neighbors and all these friends, but that's also the major disadvantage." She recounted an argument with a neighbor in the co-op. If the neighbor had been from another building Kathy could have openly ignored her, been rude to her.

I'd have said something verbally abusive and walked away! I wouldn't have thought twice about it. But, see, in this case I do have to think about her. She's my neighbor and I have to worry about [what happens] when I see her the next time. Because she'll be here, our children will grow up together, she will be my neighbor. That is the problem.

Windward's size offered residents somewhat greater anonymity. But even there we found residents keenly aware of the need to try to get along with people who could be neighbors for a long time.

“YOU CAN’T TELL WHO’S ON SUBSIDY”

One aspect of getting along with neighbors in the co-ops was tolerating their differences. And one of these differences was in income. A stock phrase that members used over and over again in our interviews was “You can’t tell who’s on subsidy.” In part, we feel, this was a way of saying that they realized subsidy information was confidential. It could not be told. But there was also a concern to reassure us, and perhaps themselves, that people on subsidy were just like everyone else. Ultimately, the message was that income differences made no difference in co-op living.

The results of the survey we conducted in September 1989 only partly supported this message. We found that neither income level nor subsidy status made a significant difference in members’ satisfaction with living at Windward. It is harder to evaluate the Harbourside results. On the one hand, we had a higher response rate among non-subsidized members.¹⁰ On the other, the subsidized residents who did respond expressed somewhat more satisfaction with the co-op than non-subsidized respondents; 88% of subsidized and 81% of non-subsidized members were fairly or very satisfied. There was a similar degree of agreement between subsidized and non-subsidized Harbourside members concerning the extent of “like-mindedness” in the co-op and the effectiveness of the selection process in choosing the “right kind” of members, with subsidized people feeling marginally more positive than non-subsidized.

But there was some evidence in our survey results that subsidized members had more of a sense of powerlessness in the co-op than those paying full rent. At Harbourside, 41% of subsidized respondents said they felt they could influence what went on in the co-op only “slightly,” or “not at all”; only 25% of the non-subsidized respondents felt this way. Similarly, 44% of people paying full rent felt they had “considerable” or “a great deal” of influence whereas only 24% of people on subsidy gave this answer. At Windward, perhaps because of the co-op’s size, members overall had less sense of personal influence on the co-op. Only 23% of all respondents felt they could influence the co-op considerably or a great deal. Of those on subsidy, only 9% felt this way while 29% of the non-subsidized did.

While these responses indicate income-based differences in members’ experience, two points deserve mention. First, differences at Windward between the responses of males and females to the “influence” question were much greater than subsidy differences. Only 12% of the women respondents felt they had “considerable” or “a great deal” of influence, compared to 40% of the men. Interestingly, there was no such gender difference at Harbourside. We cannot say for sure, but we suspect that both Harbourside’s smaller size and its stronger sense of community contributed to women’s greater sense of influence there.

A second point concerns differences in attitudes among people who received subsidies. We found that members, both subsidized and non-subsidized, identified two types of people on subsidy in the co-ops. These were lumped together in the subsidized category of the survey results, but their outlooks were very different. There were those who had what some called a "welfare attitude." They contributed little to the co-op and expected little in return, including little influence, except affordable housing. Then there were people on subsidy who sought to exert control over their housing and to gain control over their own lives with the support of the co-op. As one woman wrote on the back of our survey form, "[The co-op] provides a real sense of community and security when you're starting over."

A comparison of two women in Windward, presented to us in an interview with a third person on subsidy illustrates this point.

There's two women here. Both on welfare. They hang around together. And one doesn't give a shit about the appearance of her apartment. Graffiti on the walls. Oh, the dirt! I don't know how she can live in it. She doesn't look after her kids well at all. You walk in the house, you just wouldn't believe it.

Then there's this other girl. She's on welfare, too. And she hangs out with the crowd, you know, that is rough and tough. You know she's had a rough go of it. But she's a very thoughtful woman. She's very co-op minded and she's, like, very into helping. She organized a self-help committee to help people on welfare who need things. She'll help find social workers if people need them, things like that. She babysits for nothing. She's good.

Co-ops are carefully constructed to ensure that the message that attitude, not income, makes a difference is at least partly true. The selection process and an emphasis on confidentiality in subsidy administration helped to ensure that attention was not drawn to income differences in the co-ops we studied.

Confidentiality surrounded subsidy matters. Only the paid administrator, or "coordinator" in each co-op knew who was on subsidy or how much people paid in housing charges, unless the members themselves chose to make this known. Of course, members could and did guess about subsidies. But those whose speculations were the most negative and those whom they criticized were both atypical of co-op members. Neither fit in very well. Both slipped through the net of a selection process designed to keep them out.

The selection process appeared to favor applicants with middle class values, although it was not biased towards middle class incomes.¹¹ Specifically, the selection process favored people who held positive views of individuals' abilities to change themselves and control their housing. People so caught in pov-

erty that, as Ted said, nothing “really matters,” were seen as having little to contribute to the co-op and were passed over. Instead, the co-op chose other low-income households which seemed to have hope, energy and a willingness to participate. Some higher income applicants who assumed the poor deserved their poverty also were rejected. But others at both ends of the income range slipped through the selection process and into the co-ops.

Selection favored richer and poorer applicants who seemed to share certain attitudes. We can extrapolate these attitudes from the interviews to some extent. These views relate in part to the idea of local control, which was central to the co-ops. The attitudes sought in applicants were those shared by “good” — that is, satisfied and participatory — co-op members. They shared the conviction that personal action could improve their situations in life. They believed that individuals might need the support of others and society (as in housing assistance, for example) to take control of their lives. People who genuinely shared these attitudes, as opposed to those who expressed them merely in order to get in, formed the core of highly satisfied and committed co-op members. This core in both co-ops cut across income and subsidy status lines.

Some applicants shared these views only in part. Some of their applications were turned down; or if accepted often they did not feel they fit in to the co-op. At one extreme were applicants on welfare who did not think they could improve themselves. They did not want to contribute to the co-op but felt social programs should support them anyway. A Windward member on subsidy herself told us how she would screen low-income applicants.

I would look and see how they lived. How many kids they had. If they had any incentives to work. You know, if they were just on welfare for the fun of it and they figure it's a free ride. Let's just say I'd look for somebody that had drive and that wanted to make something of themselves and make something of where they lived.

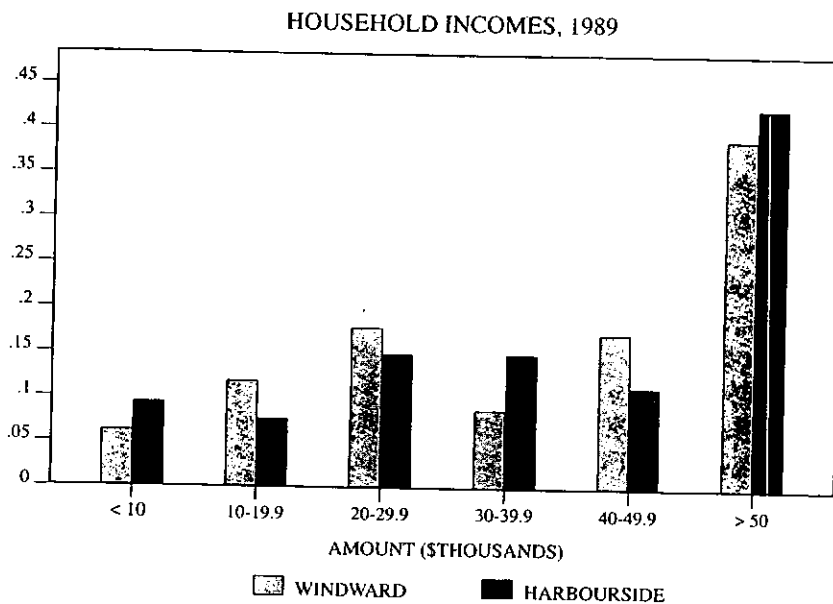
At the other extreme were professionals who were concerned about improving themselves but did not care about others or the co-op. As one Windward resident commented:

[These people] are bright and they can manipulate the co-op housing system better than people who go on the [assisted housing] waiting lists because they have access to information and the skills to use it. These are people who would rather buy, who would rather buy anything! People who are not politically or ideologically drawn to the [co-op] concept are being driven into co-op housing because there's nothing else.

DESIGN AND MIXED INCOMES AT HARBOURSIDE AND WINDWARD

Our impression was that middle-income professionals were more common in Windward than at Harbourside, at least by 1989. For reasons of confidentiality, we could not collect detailed data linking incomes and subsidies to individuals in the co-ops (see Figure 2 for summary statistics on income distributions). Our survey data from Harbourside overrepresent non-subsidized households so incomes appear higher in Figure 2 than they likely were for the co-op as a whole. Our observations and interviews indicated that higher income people were attracted to both co-ops, but more so to Windward.

Figure 2.



A co-op sector activist speculated:

I would bet that Windward stands a bit apart from the rest of the sector. It's a bit more middle class, and that has to do, frankly, with the funny appearance of the outside of the building. They made it look fancier than the typical co-op, you know. The typical co-op is a pile of bricks in Scarborough! So this one, I think, attracted higher income people.

He went on to argue that housing higher income people, as Windward does, was good for the co-op sector even if it meant housing fewer low-income people.

Windward is good for the sector—except that the sector will never know it—in that you come closer here, probably, to having a slice of life than in a co-op where people predominantly want to live there for the principle of the thing. But the co-op sector will cut off their nose to spite themselves. They'll persist in being viewed as not a serious player in the housing market because they have a narrow view of who they want to serve. If they were more open to real people...if they were prepared to believe that an executive working in an office downtown is a person too, trying to raise a family and so on, they might be given more opportunity to build housing here.

We suggested in the interview that governmental priorities on housing the poor, the difficulty of finding sites, and fiscal constraints also were considerations. He replied, "Oh, yeah, I think the co-op sector is taking what it can get right now. There isn't much money, so they build whatever the government tells them they should be building."

What the government was telling them to build was more housing in which housing charges were entirely geared to incomes. The "co-op philosophy" of providing affordable housing for low- to middle-income people was being nudged in the late 1980s toward providing more housing for low-income people, not executives working downtown. This, not surprisingly, prompted NIMBY outbursts.¹² Such housing poses more than simply problems of community acceptance. It lacks the benefits mixed housing provides to lower income people. And while it may more effectively target those in severe housing need, it eliminates those people with moderate incomes who also have a real need for affordable places to live in Toronto's housing crisis.

A comment made to us by a consultant who helped develop co-ops for a resource group points to the tension between building affordable housing and providing something more, partly through the inclusion of higher income residents. We recorded this comment in a 1987 interview, when pressure for entirely low-income co-ops was less intense than at the end of our study. His observations point to the perceived importance of architectural design for attracting mixed-income residents whose presence, like the design itself, may improve the housing environment for low-income people.

I think ultimately our goal has to be to provide as much housing as possible. It would be foolish for us to suggest anything else. [But] I don't think we're willing to give up our social imperatives for the sake of just getting people in whatever housing we can. Not if that

means putting them in communities that are disasters. Because if you create housing that just encourages and reinforces social problems you haven't helped anybody. You've just put them in a different prison.

So I think it's incumbent on us to create housing that serves as many people as possible but in a context that is socially useful. Co-ops, I think, make a lot of sense in that regard. They allow a variety of people with different incomes to live in one place. It seems to make much more sense than putting all the poor people in the same building.

Given that as a criterion, it immediately creates an architectural context that's different from [housing only poor people]. People with a middle or upper middle-income will not live in the same building that would have been provided for poor people. We have to always have in the back of our minds designing buildings that are going to serve a range of incomes. Which means we can't let it be just junk! We wouldn't be able to market it. We wouldn't get tenants. We have to keep all those things in mind if we're convinced that marketing to those middle and upper middle-income people is as important as marketing to the poor people, and if we think it is important for those poor people that the [richer] others come in.

Unlike Windward's high architectural profile, Harbourside's conventional stacked townhouse design did not make it as much of a beacon for professionals seeking affordable housing. The location nevertheless attracted what one co-op sector person called "a lot of yuppie types." Several of these people moved out during the study period. A handful left at least partly because they were at odds with other co-op members. Yet, in our interviews at Harbourside, a stronger concern with community came through. The mixing of incomes there seemed to have been accompanied by more sharing of the attitudes toward individual and cooperative control that we outlined above.

DIFFERENCES IN SUBSIDY ISSUES AT HARBOURSIDE AND WINDWARD

Harbourside

The importance members attributed to individual and collective control of their housing was crucial to Harbourside's fairly strong sense of community. Yet it also was the source of some of the most serious tensions in both co-ops. The administration of subsidy funds was part of the coordinator's job as project manager. Its day-to-day aspects were beyond members' immediate control. But setting subsidy policy was the members' job, and they debated hotly how this policy should affect the coordinator's administration of subsidies. A question

central to the debate, and to the tensions it created, was “How can members prove they qualify for a subsidy?” In other words, how could they demonstrate that without a subsidy they would have to pay more than 30% of their gross household income in rent?

A simple answer, and the one to which Harbourside turned, was for households requesting subsidies to submit their personal income tax assessment notices to the coordinator. Each taxpayer receives one of these from Revenue Canada after his or her tax return has been processed and accepted. It confirms that the federal and provincial tax paid is the amount that really was owed.

But this answer is not really so simple. The question of proof has many problematic dimensions. Whose income should be considered? What income should be counted? Is any request for proof an invasion of members’ privacy? And is a tax statement enough proof to prevent abuses of the system? These questions were further complicated at Harbourside by the co-op’s small size. It was hard to discuss subsidy policy issues in the abstract there. Each question was colored by the personalities and experiences of the particular individuals involved.

Subsidies, as one member told us, were

confidential as far as the *office* part goes—in terms of how much people get and all of that. But our lifestyle here is so...well, we do talk to each other so much. You’re out in the courtyard—it really is like a little village—and you end up saying, ‘Oh, God, I haven’t got my subsidy thing in yet!’ For myself, I’ve never tried to keep it a secret because I think that fosters the separation [between subsidized and non-subsidized] even more—that sort of secret, shameful, you know, ‘who’s on subsidy and who’s not’ kind of thing.

Whose income should be considered in calculating need for housing charge assistance? This question became bound up with Harbourside’s policy on guests. A guest’s income, of course, was not considered in the calculation of a member’s need for housing charge assistance. Guests who stayed longer than three months had to apply for membership in the co-op, at which point their income entered into such calculations. Some subsidized single women objected to this policy. They thought it encouraged their neighbors to pry. They also thought that this policy could make women feel pressured into more permanent relationships with male “guests” at some cost to their own independence.

A single mother on subsidy observed:

Subsidized people are the ones who are vulnerable to problems of guests and privacy. They should be left alone. I don’t think the intent of most people is to be cheating. I always mean to get off

subsidy as soon as possible. It is not a nice situation. The father [of my baby] comes here all the time. But I don't want to be dependent on him. I don't think the money he gives me should be included [in my income].

She complained to us that when people in the co-op saw a woman like her with a male guest they said:

'So, well look at her!' But they don't take into consideration that we women have pride and dignity too. There are things [like dependency] we just don't want! And that's why we came to a co-op. There is no other reason but that. And I think that's important to be reminded of.

The question of what income should be counted was debated almost endlessly at Harbourside. Members complained about invasions of privacy, on the one hand, and made allegations about abuses of the system, on the other. Without simple, convincing proof of income, some members tended to use consumption as an index of income. They complained every time they saw that a person suspected of being on subsidy had made a big purchase. And people on subsidy complained every time they felt their privacy was being invaded.

As one subsidized Harbourside member put it:

I have heard people say 'How come she can buy that car if she's paying such and such in rent?' Well, there are reasons. She got a loan from her brother-in-law. She cannot work without that car. She's paying for that car very harshly from whatever is left, right? And she's making a sacrifice. What's wrong with that?

Ultimately, Harbourside decided to require Revenue Canada assessment notices as proof of income. The simplicity of this policy was seen as a strength that outweighed other drawbacks.¹³ "When we looked at how simple the verification process became if we used [the tax assessment], it outweighed the privacy concerns," a member of the board of directors told us.

By 1989, the board felt it had to change the tone of a 1988 draft subsidy policy that suggested they were trying to "close all the loopholes and protect the co-op from all the cheaters." Anyway, they recognized that "we're never going to protect ourselves from the cheaters. So then we turned the policy around and looked at making it as equitable and as unobtrusive as we possibly could."

Harbourside's wrangling over the administration of their subsidy policy probably is not finished. As one founding member of the co-op commented laughingly in 1989, "Ever since I moved into the co-op there has been work being done by some group of people on revising subsidy policy. And it's not done yet!" The issues we have outlined here give an indication of the complexity and sensitivity of the problem of defining a clear policy while minimizing conflict between those who are subsidized and those who are not.

It was a real challenge, as one member noted:

to hand out money in as fair and unelfare-like a way as possible. There is obviously a division in the co-op between who gets money and who doesn't. But [the co-op must] try to minimize that in terms of reporting income and baring your all.

The co-op, in short, had to maintain the image that income differences had no real consequences for how members were treated. Yet members had to have confidence that incomes, at least for those on subsidy, were accurately and honestly reported.

Whether Harbourside met this challenge or not, the lengthy subsidy policy debate did raise members' consciousness about subsidy issues. The Harbourside member quoted above continued:

If we haven't succeeded in developing a more humane way, we certainly succeeded in making all of us think about how inhumane [the system] really is. That in itself is a step in the right direction. At least as a group we could acknowledge the strings attached to subsidies and to social welfare in general. I think it is important for people to think about that when they think about their neighbors on subsidy.

She was convinced that the prolonged discussion had led people to change their behavior.

I think there are less and less comments about new possessions that people on subsidy have—about people on subsidy who have cars. Those kind of things really irked some people at the beginning. They felt it just wasn't right, that the co-op was sort of supporting them and 'A furniture truck arrived the other day and there was this brand new couch and chair!' That sort of thing.

But everyone was more aware that all of them, whatever their income, were being subsidized through the mortgage interest reduction grant.

So people are beginning to see that we're all in this together. They see that people on subsidy who are making their way in the world on some level—you know, if they're getting new things and stuff —aren't actually taking it out of this person's pocket who is not on subsidy. That's the kind of thing that is *easing* here. There are a few people whose attitude isn't easing. And their attitude isn't as acceptable as it was maybe two years ago. People just don't put up with that from them.

Most of the people whose attitudes had not eased had moved out of Harbourside by the time we concluded our study. There were no more than four or five in all. We interviewed three such households in three different years and three different locations. But the interviews were strikingly similar. These people shared the feeling that there was a strong sense of community in Harbourside

but that they had no place in it. They felt that people on subsidy exploited the system, took in boarders, boyfriends and other "illegal tenants" in violation of the guest policy, and lied about their income.

All three made these allegations by innuendo: "There's a woman who quit her job and went back to school but drives around in a red Mustang and wears a fur coat." They represented themselves as disgruntled members of a middle class that was hard done by.

One who had struggled to earn a Ph.D. and attained a professional position by working at menial jobs argued that the way the system operated was reverse psychology.

Because in offering all this subsidy you're discouraging sacrifice. It's the same as if you're trying to train a puppy not to pee on your carpet. But every time he pees you give him a cookie. Because the way the system is set up you're better off not working! This is the side that I think the left wing people who try to give an opportunity to the poor are not seeing about the ones who work hard to get somewhere.

So it's not that I'm being selfish and saying I don't want to share my tax money with someone who needs it. I just don't want to give it to somebody who wants a bloody BMW when I don't have one myself!

You see it's always the professionals, who work, who get attacked.

He had once campaigned for the social democratic New Democratic Party but now felt that he had been pushed far to the right by his experiences at Harbourside.

WINDWARD

At Windward, the percentage of households on subsidy was a much bigger issue than how to administer and police subsidies. The central question was: How many households in the co-op should be on subsidy? Concern about this question surfaced in the fall of 1987 and debate continued, unresolved, through the end of our study in the summer of 1989.

The working out of this issue over time emphasizes how important a sense of local, democratic control was to the membership. As well, it points up how elusive real control could be because of the nature of subsidy financing and the role of the coordinator. It also shows how, even on an issue that could be expected to divide the co-op into subsidized and unsubsidized camps, positions cut across income levels and subsidy status.

Like other co-ops built under the Section 56.1 program, Windward was required to make at least 25% of its 100 units available to households needing rental assistance. By 1989, the proportion had risen as high as 46%. There were

several reasons for this. First, the inclusion of about twenty five people with disabilities, many of whom needed subsidies, meant that as soon as a few households of non-disabled people were admitted on subsidy the proportion exceeded 25%.

Second, Windward's construction process was complicated and lengthy (Rodman and Cooper 1989; Cooper and Rodman 1992, chapter three). The mortgage funds were drawn down several months before anyone actually moved into the building. Monthly subsidies were part of this money, under the formula described earlier in this chapter. So for almost four months subsidy funds accumulated at the rate of about \$21,000 per month without any disbursement. CMHC allowed Windward to place \$50,000 of this money in a reserve fund for emergency subsidies.

A final and crucial reason for the increasing percentage of Windward households on subsidy was the role the coordinator played in subsidy administration. Even after moving \$50,000 of the excess subsidy money into a reserve fund, the coordinator had about \$30,000 in extra subsidy funds to spend at the time the co-op opened. Rather than send this money back to CMHC unused, he allocated it as emergency subsidies. But, as he recognized in 1988, "[this] created a fair amount of expectation for emergency subsidies. We have [a few] households now that are just on perpetual emergency subsidies." The coordinator kept allocating subsidies to any eligible household while the member selection committee and the board of directors continued to assume the percentage of households on subsidy was about 25%.

In the fall of 1988, the coordinator's report indicating that 41% of member households were on subsidy seemed to come as a surprise to the member selection committee. Some felt that the coordinator had been acting too independently. They felt the board, and indirectly the members, should have more control over subsidy allocation. And some expressed the opinion that the percentage of households on subsidy ought to be capped, either at the original 25% or at least at no higher than 40%.

Support for the idea of capping subsidy levels came from people who held diverse positions. Some were confused about how subsidies worked. They felt incorrectly that a high percentage of households on subsidy would endanger the financial health of the co-op.

Others seemed to have fears that could hardly be expressed in a socially acceptable way in the co-op. They were nervous about living with larger numbers of relatively poor people who might conspire to run the co-op. The subsidized people, they feared, might vote as a bloc to raise housing charges that would in effect be a burden only for the non-subsidized members. One member sardonically characterized people who shared this concern: "They tend to lump everyone on subsidy together as this entity that's going to crawl out of the water one day and eat the co-op!"

Yet some of the people most in favor of capping the level of subsidies in the co-op were on subsidy themselves. As one member put it, "People who I know are subsidized are sitting there saying 'We don't want more of us.'" For example some felt, as one woman on subsidy told us, "A lot of people on welfare to my way of thinking are undesirable. Certain types that can't help it...I think they have to screen them carefully."

A related concern was that some people were "getting away with murder." The appearance of the building seemed to be deteriorating as was the quality of life. Some laid the blame for this at the doors of the subsidized households. One man who had been an active socialist changed his views dramatically after living at Windward. He had once worked with guerrillas in the Third World, but by the end of our study he and his family had bought a house and left Windward. He came to feel that poorer members lowered the tone of the building by drinking, fighting and letting their kids vandalize the co-op.

In fact, it was by no means clear that the problem households were the ones on subsidy. Others who were concerned about "law and order" in the building were opposed to capping subsidies and recognized that both the source and the solution of the problem lay outside the subsidy question. They felt that the buildings deteriorating appearance resulted from the superintendent's health problems and inadequate temporary janitorial services. And they felt that vandalism occurred because both the richer and poorer kids had nothing better to do. Efforts were being made as we ended our research to create neighborhood activities that would involve the young teenagers who were felt to be the main source of vandalism.

One founder of the co-op felt the issue should be seen not as a subsidy matter but as a question of people taking responsibility for their housing.

It's stupid [to cap the level of subsidies]. It's the old misconception that people who need subsidy aren't as good as people who don't need subsidy. [The important thing is that] the standards of the building are the same for subsidized and non-subsidized people alike. Therefore the problem does not revolve around whether a person is subsidized or not. It's whether they behave themselves reasonably in a co-op living environment.

Partly, then, feelings that were expressed as anxiety about the number of people in the co-op on subsidy could be seen as a problem of enforcing standards through member control. "One of the things that a co-op has," the founding member noted, "is an elected board. If the people say, 'We have a problem. Go solve it, board.' then you go to work and solve it."

Further, the subsidy capping issue raised once again the importance of member selection in fostering a similarity of attitudes that cuts across the differences in income in the co-op. One member's reflections in the summer of 1988 were particularly insightful:

I don't know what the last figures were, but roughly 40%, maybe as high as 45% of the households are subsidized. My feeling is that I don't see a need for increasing nor do I see a need for capping them.

I would say that I am quite happy with the present mix because it seems to have given us a well-structured community. Just looking at the results [of that mix], I don't know who the subsidized people are in the co-op — other than a few people. I've sort of become accidentally aware that they are subsidized. As you meet people and work with them, it seems to be a good mix. I suppose my judgment of what is and is not a good mix to a large degree rests on their ideas or how they view those things that we're confronted with in everyday life.

I speak to people and I seem to hear the sort of views that are consistent with my outlook. I recognize myself as having somewhat of a bias toward conservatism in my day-to-day living. [Here] I hear liberal ideas and some radical ideas, but I like the mix. I think I would get fed up if they were all conservative views. And I suppose if they were all the other way and I were the only dissenting one, I might think that mix was no good. The results of this economic mix seem to have produced a community whose ideas and outlook on life don't seem too much at variance with my particular set of values, at least as yet.

THE FUTURE OF SUBSIDIES IN THE CO-OPS

By 1989, the proportion of subsidized households had stabilized in both co-ops at 40-45%, which made full use of the subsidy pool funds. Consequently, members paying market rent who moved out had to be replaced with other non-subsidized people. Subsidized households who left, of course, could be replaced by others needing assistance but such moveouts were rare, partly for financial and bureaucratic reasons.

While the income mix seemed to have stayed more or less the same, once it reached the 40% level, family composition had changed somewhat. Judy Jameson, who had been so impressed by the film "Not Just a Place to Live," observed in 1989 that the children of most of the single parents in Harbourside were school age. There were no more single mothers with babies. She wondered, "Why has this happened? Why aren't there any more babies?" Then she realized that there were new babies in the co-op but they all had two parents. With the subsidy pool fully used, there were no more places for young single mothers. Judy felt that in this way, "we are not *making* a change [in the family

composition of the co-op]; we are *preventing* a change. But not deliberately. It's just the way it happens."

What will happen as the subsidy pool increases in these co-ops with the decline of the mortgage interest reduction grant? The additional funds no doubt will be used to increase the number of households on subsidy, but this money is unlikely to be used to include more *new* members on subsidy. As the MIRG declines and the co-op must pay a larger share of the mortgage payments, housing charges probably will rise.¹⁴ More households which are already in the co-ops will then qualify for subsidies because they would otherwise have to pay over 30% of their income in rent.

In 1989, the income ceiling was raised to \$44,700 at Harbourside. At the general members' meeting at which the ceiling was raised, the possibility of using the larger subsidy pool to include needy outsiders was not even raised. One person who attended the meeting commented to us, "It was clear that *nobody* was thinking in terms of that as a possible alternative, of opening up [the subsidy pool] to people outside." She said that she decided not to raise the issue because of her own ambivalence about it. On the one hand, she was deeply committed to social housing and to giving needy people access to mixed-income housing co-ops. On the other hand, she was concerned about the middle-income people hit hard by increased housing charges who would pay more than 30% of their income in rent if the ceiling were not raised. This was not the same view as those dissatisfied members who left the co-op feeling the poor benefit from a system that exploits the middle class. Rather, it was a viewpoint that favors protecting people in the co-op community and meeting their needs because they are members. Her view, obviously so widely shared as to need no discussion in the meeting, was that "as members, they should get it before we give it to others."

If subsidy assistance were not extended to these middle-income households, a problem would arise that is known as the "Gap" in social housing circles. A gap would appear between the highest income subsidized households and the lowest income full rent members. In other words people with incomes in the \$35,000 - 45,000 range simply could not afford to live at Windward or Harbourside. The co-ops would become housing that, ironically, was affordable only for the rich and the poor, not people in between. But redistribution of subsidy funds to include middle-income households probably will keep the "Gap" from opening up at Harbourside and Windward.

The future of income mixing in these co-ops, then, seems likely to be one in which the mix will remain more or less the same. The difference will be that, at least in the short run, more middle-income households will be on subsidy. The more households on subsidy there are, the lower the turnover rate in the co-ops is likely to be. This would seem to be especially true for households earning

\$35,000 - 45,000 a year who would be unlikely to qualify for subsidized housing elsewhere. The few new members probably would have to pay full rent, assuming the subsidy pool was fully allocated among established members. So, eventually, the income mix could be expected to include people earning higher incomes than the top end of current co-op members. There is also the possibility, remote though it seems, that along with changing government programs for affordable housing, new funds would be made available to increase the percentage of low-income members.

CONCLUSION

The program under which Harbourside and Windward were built required too few needy households (25%) either to make full use of available subsidy funds or to ensure what at least some in the co-ops considered to be an appropriate mix of income levels. Both co-ops responded by increasing the *de facto* number of households on subsidy to 40% or more by 1988. Yet both co-ops planned not to increase the percentage on subsidy further. They could do so as the size of the subsidy pool increased according to the Section 56.1 Program formula. But as of 1989 they had chosen to preserve the existing mix of income levels and provide more assistance to middle-income member households for whom increased housing charges otherwise would not be affordable.

Later government housing programs have targeted mostly those in greatest housing need. They have been less concerned than the Section 56.1 Program with subsidizing or providing affordable housing for moderate to middle-income households. But our findings at Harbourside and Windward suggest that mixing income levels is an important element in so far as this contributes to the mix of attitudes, backgrounds, family composition, and so forth that makes a co-op into a community. Moreover, in Toronto's housing crisis, so-called middle-income households need affordable housing, too.

Some richer and poorer people want more than affordable housing. And in co-ops they can have more. They can create for themselves a place to live that they control and to which they can feel a sense of belonging. Not everybody in the co-ops wanted or welcomed the kind of community that resulted. We have given examples of members who became progressively fed up with the mixed income aspect of these projects. But for people with certain expectations and values, mixed-income co-ops work. As the comments we have included here testify, they worked for people who wanted not "just a place to live" but a sense of community.

Co-op living shapes such communities out of members' diversity—in terms of income, for example—and out of the attitudes that those who fit best in co-ops share. These attitudes crosscut income levels. They were at the heart of serious divisions within the co-ops on subsidy matters. Yet these divisions were

not along simple subsidized-non-subsidized lines. The attitudes core co-op members seemed to share included an emphasis on the ability of people to gain control of and improve their housing, and to some extent, their lives. Some needed financial support from the state to achieve this, others did not. But for these co-op communities, attitudes matter. Income matters less.

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NOTES

- ¹ This was called the Section 56.1 program, after the appropriate section of the National Housing Act. In 1988, amendments to the National Housing Act re-numbered the various sections. Thus, the section that instituted the 1973 co-op program was changed from section 34.18 to section 61. Section 56.1 became section 95. We retain the older numbering because these are the terms our informants used.
- ² The economic rent consists of the monthly mortgage payment at market rates plus operating costs.
- ³ This comment is reminiscent of Jane Jacobs' (1961) influential advocacy of neighbourhood diversity.
- ⁴ Logan and Molotch (1987: 167 ff.) sum up the political realities that ensured low income housing projects would be constructed away from better neighbourhoods and planned high-rent developments in the United States.
- ⁵ Initially, the requirement was only 15% but it had been increased to 25% by the time Windward and Harbourside's contracts were drawn up.
- ⁶ For descriptions of this formula and how the 56.1 mortgage interest assistance works see CMHC (1981, 1983).
- ⁷ Financial data from Harbourside come from an article in the co-op's newsletter prepared by the coordinator to educate members (Hawthorn 1988).
- ⁸ The term of Harbourside's mortgage was five years. CMHC will adjust the amount of its assistance in accordance with the interest rate at which the mortgage is renewed. Steeply rising or falling interest rates, then, could have considerable effect on the amount of assistance available to the co-op.
- ⁹ See chapter 3 of Cooper and Rodman, 1992 for discussion of developments after the Section 56.1 program was terminated.
- ¹⁰ The response rate for Harbourside as a whole was about 70%. But the response rate was better for nonsubsidized members than among those on housing charge assistance. Respondents included 36 out of 43 nonsubsidized members (84%) and only 18 out of 35 subsidized members (50%).
- ¹¹ The selection process is the subject of chapter five in our book (Cooper and Rodman 1992).
- ¹² For a Not In My Backyard response to plans for a 98 unit rent geared to income co-op in Toronto's St. Lawrence area see "Neighbours Fear Project Would Be Ghetto" (1987).
- ¹³ There was also a concern, which we have not gone into here, that the Revenue Canada statement would provide proof only after the fact. That is, it would provide information for a particular year's earnings only some months after the year was over.
- ¹⁴ The increase in the cost to the co-op of mortgage payments theoretically could be offset by savings the co-ops make in operating costs due to member participation.

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Ethnicity, Race, Class, and Immigration in Cooperatives

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This article examines the intersection of ethnicity, race, class and immigration in five unusual multiethnic, working-class cooperatives located in the Silverlake/Echo Park district of Los Angeles known as the Route 2 project. The five cooperatives were formed from property acquired in the 1960s by Caltrans, the State of California Transportation Agency, to extend the Route 2 freeway. When Caltrans decided not to build the extension in the mid-1970s, the residents living in the housing on the state-owned property organized and after many years of struggle, purchased the property and formed the cooperatives. The residents won the right to purchase their homes in the early 1980s. The property was purchased, the housing rehabilitated, and the cooperative formed between 1981 and 1985.

During Caltrans' ownership much of the Route 2 corridor housing acted as port-of-entry housing for new immigrants to the United States. The primary in-migrants have been Latinos from some fourteen Latin American countries who make up more than sixty percent of the population. Among the immigrant Latinos there are variations in racial terms, from white to black or, in ethnic terms, from European to African.¹ Other parts of the world are also represented in the immigrant population in smaller numbers. There is also great variation in the class backgrounds of the immigrants with, for example, middle and upper class college trained urban Cubanos and poor, rural, Mexicanos with third grade educations.

The immigrants from Latin America are usually referred to, regardless of these variations, as Latinos in the Route 2 cooperatives as opposed to the remainder of the population which is referred to as Americano. The Americano population is equally divided between Anglos and a mix of native-born minority groups including African-Americans, Asians, and Chicanos. It should be noted that although these definitions are the dominant ones in the cooperatives, the dimensions of the term Latino have been the subject of conflict among Latinos. Regardless of this debate about who is a Latino it can be said that the terms Latino and Americano have from time to time been important in the lives of the cooperatives and been employed at various times as symbols of conflict and division.

Los Angeles is a very multiethnic but segregated city (Research Group on the Los Angeles Economy 1989). Latinos from various countries concentrate in East Los Angeles, the inner ring around downtown, and the eastern portion of the San Fernando Valley; African-Americans concentrate in the south-central part of the city and the eastern portion of the valley; and Asians concentrate in various ethnic enclaves bearing the name of their nationality. The multiethnic character of the city's population has increased due to an in-migration of nearly two million people from third world countries over the past twenty years (Soja, Heskin, and Cenzatti 1985). The result is that "racial minorities" have become a local majority (Adler 1983a p. 482).

A few areas in Los Angeles differ from this general pattern. Many of these are transitional zones where ethnicities mix and intermarriage is common. These open areas often serve as ports of entry for different national groups. Schools in these zones typically report that their student population speaks more than fifty languages and dialects. The Route 2 corridor is in one of these uniquely diverse and internationalized zones.

The project has an exceptional multicultural image.² This has attracted the liberal politicians and professionals who supported the project. Internally issues of ethnicity, language, culture, racism, and class have been omnipresent. They are endemic to such a multiethnic, working-class, and immigrant environment. They denote that interaction is taking place. At their best these tensions are representative of a dynamic process of creation.

The internal conflicts have been accentuated by ideological divisions within the projects leadership which do not perfectly match ethnic or racial differences. There have been two prevalent ideologies in the Americano population, progressive populist and pluralist, while the leaders in the immigrant Latino population has tended to be clientelist. Each of the ideological groups have had different reactions to the project's multiethnicity. Early on there was a progressive populist leadership that approached the multiethnicity of the project as an opportunity for multiculturalism. Multiculturalism in their minds is a form of social relations in which different ethnicities "maintain their identities, but engage in extensive interaction and mutual influence." When multiculturalism occurs, "relations between single minorities and the dominant culture are complemented by organized interaction among minorities," and members of ethnic groups become "able and willing to communicate and cooperate across cultural boundaries" (Heskin and Heffner 1987, p. 526). In the process, each group's identity is continually enriched and reconstructed.

This progressive populist approach must be distinguished from the color blindness claimed by current-day conservatives, sometimes referred to as "authoritarian populists."³ The Route 2 populists are quite aware of ethnic differences and celebrate the differences rather than ignore them. To many of the

populists multiculturalism is not an approach to a problem, the problem of multiethnicity, but an attraction that keeps them living in and working on the project. In their view the co-ops which have many mixed ethnic families as members should be an oasis from the divisions of the racial state outside the project.⁴ A nondiscrimination pledge has been repeated over and over again in the project, and the relations among the Americanos of all ethnicities reflect the pledge's intention. The relations between the Americanos and the immigrant Latinos have not been as healthy. The gap has proved more difficult to bridge.

Americano ethnic pluralists in the cooperatives, reacting to years of experience with racism, see minority ethnic and racial groups as bases of power for fighting historical and continuing oppression. They emphasize the importance of communication between groups rather than between individuals. Multiethnicity or multiculturalism is not valued *per se*. Pluralists believe multiethnicity should be managed with full consciousness of the needs of each ethnic group. In their focus on needs of competing groups, however, the needs of groups outside one's own are not of primary concern. Some theorists characterize this primary focus on the needs of one's own group as nationalism or cultural nationalism (Omi & Winant 1986, pp. 103-108).⁵

The immigrants' national identities and class differences can push them apart, reflecting old feuds and class conflicts. At the same time their current immigrant status in a strange land can build unity, emphasizing the commonalities of language and culture in their pasts. Part of the Latin American political tradition is clientelism.⁶ The essence of clientelism is captured in the seemingly unchangeable relationship between the landed patron and the peasant (Powell 1970).⁷ Clientelism is centered on family and reciprocity, and it reinforces the heavy obligations of immigrants to family members and fellow countrymen undergoing the immigrant process.⁸ Strong elements of what may in other contexts be called nepotism come into play. While immigrant Latinos dominate the group of clientelists in the project, the clientelist position is not without resonance in elements of the Americano working-class population of the cooperatives.

The clientelist immigrants in Route 2 undergo a process of identity reformulation as they integrate into this country.⁹ They learn about racism in this country, their position within the racial state, and the country's racial rhetoric. The anger that grows in the process provides a basis for the development of a common ground with the ethnic pluralists. In the cooperative there has been a counter force which has limited this cross-identity.

Although the terms Latino and Americano are used in the project as I described above, within the inner circles of the pluralist and clientelist leadership in the Route 2 project there is great disagreement on the dimensions of the term Latino and the requirements for "true" ethnic membership. The split is like that