



MANAGING CO-OP HOUSING

a guide on how to manage
the organization, implementation,
and maintenance
of the cooperative housing project



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Implementation, and Maintenance
of the Cooperative Housing Project



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Volumes Included in the Manual on Cooperative Housing

1

Analyzing Co-op Housing

2

Managing Co-op Housing

3

Financing Co-op Housing

4

Accounting Co-op Housing

5

Regulating Co-op Housing

6

Constructing Co-op Housing

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Foreword

Adequate shelter is a right that should be enjoyed by everyone. International statutes such as the United Nations Declaration on Human Rights guarantee this right. However in the Philippines, providing shelter to the homeless remains one of the primary concerns of government and cause-oriented groups.

Various approaches have already been adopted to solve the housing problem. One such approach is cooperative housing. It is an alternative self-help approach which applies the principles and methodologies adopted by cooperatives to shelter delivery.

While historically, cooperative housing has been put into practice in the late 19th century in various countries, its growth and development in the Philippines has only begun recently. As a response to promoting this innovative approach, CHF implemented the Cooperative Development Program in 1997, with the National Housing Authority (NHA) as its local partner and with funding from USAID.

The program sought to increase the availability of affordable housing services to underserved populations through cooperative housing. In particular, technical assistance was extended to build up the institutional capacity of NHA and several cooperatives to establish cooperative housing as a sustainable system. Part of such efforts is the development of a training manual on cooperative housing.

This Manual on Cooperative Housing was thus conceived to guide cooperatives engaged in mass housing projects for their homeless

members. In the process, it is hoped that this will encourage the creation of a favorable environment for the emergence of more housing cooperatives in the future.

CHF produced this manual in order to provide cooperatives with a better understanding of the operational and technical requirements, as well as, the processes involved in the cooperative housing project.

This Manual is designed to explain various concepts in terms that will be best understood by its intended end-users, which are the cooperatives. CHF attempted to provide a simplified presentation of some of the most important elements and steps of cooperative housing since there are so many details and variables involved in this process that varies according to each situation.

While we have wanted to base this Manual on the actual experiences of the pilot cooperatives of the Cooperative Development Program, it was not possible since these cooperatives have not gone through the entire cooperative housing process at this stage. The Manual was developed and drew largely from presentations made during the CHF-sponsored National Conference on Cooperative Housing held in Cavite on December 2001.

Volume One on Analyzing Co-op Housing: Historical Analysis of Cooperative Housing discusses the emergence and growth of cooperative housing in different countries, what were the issues and problems they faced, and how were these resolved. It also examines the experience of the SLU-SVP Housing Cooperative, one of the country's pioneers in cooperative housing.

Volume Two on Managing Co-op Housing: A Guide on How to Manage the Organization, Implementation, and Maintenance of the Cooperative Housing Project explains how the project affects the organizational structure and processes of the cooperative. It defines project management and lays down the specific management requirements necessary for the implementation and maintenance of the project.

Volume Three on Financing Co-op Housing: A Guide on How to Avail of Fund Assistance for Cooperative Housing from Land Bank of the Philippines presents the details of the bank's Cooperative Pabahay Program and how this may be utilized by the cooperative to finance its housing project.

Volume Four on Accounting Co-op Housing: A Guide on Accounting Systems for Cooperative Housing presents the different financial transactions of the project and how these should be documented and accounted for by the implementing cooperative.

Volume Five on Regulating Co-op Housing: A Guide on Securing Titles, Licenses and Permits, and How to Avail of Tax Exemptions for Cooperative Housing lists down the different legal and documentary requirements that regulate the project and how these can be secured by the cooperative. A section on taxation explains how a cooperative involved in socialized housing may avail of tax exemptions.

Finally, **Volume Six on Constructing Co-op Housing: A Guide on Construction Management of the Cooperative Housing Project** provides a layman discussion on the resource requirements, procedures, and tools needed during the construction phase of the project.

CHF hopes that these six volumes comprising the Manual on Cooperative Housing would serve as a valuable contribution towards the development of the cooperative housing movement in the Philippines.

Randall Sach
Country Director
CHF Philippines

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To the pilots and other cooperatives of the Cooperative Development Program for inspiring us to produce this manual.

This manual also benefited greatly from the technical training on cooperative housing of the SEDCOP Program of NATCCO, Alterplan, and VICTO.

Lastly, this manual would not have been possible if not for the generous funding provided by the United States Agency for International Development (USAID).



I N T R O D U C T I O N

What is the importance of management?

Cooperative housing is an alternative housing approach which utilizes the principles and processes of cooperativism. It is a way for people to collectively own, manage and control their housing community.

The cooperative as an organization ventures into a housing project to address the housing requirements of its mostly low-income earning members. It involves itself in the acquisition of land for housing, as well as into the direct production of decent and affordable housing units.

To ensure the successful implementation and operation of the cooperative housing project, it is important to effectively utilize the resources and technology available to the organization.

Certain policies are formulated to achieve this. However, these policies will not run by themselves. They have to be executed and managed by people who have the training and capacity to do so.

The day-to-day operation of the cooperative and its housing project is therefore handled by a group of qualified managers. These people are highly experienced professionals who are innovative enough to adjust to the varying conditions within which the organization and the housing project operate.

The cooperative housing project alone involves a myriad of tasks, some of which are complex and technical, and therefore requires a certain sense of accuracy and vision. A manager, for example, with extensive experience in building operations can accurately project the cost of materials, labor, and other recurring expenses.

Thus, one important decision that the cooperative has to make is the selection of the right people who will manage the cooperative and its housing project. To do so, it is important for the cooperative to understand the nature of management in different aspects of the housing project.

In general, the purpose of management is to administer the conduct of activities to achieve a certain set of objectives or desired results. It ensures that resources committed for such purpose are efficiently and effectively utilized. It is a process of planning and getting things done within certain conditions.

Management tasks vary from one activity to another. The management requirements of the cooperative as an organization differ from that of the implementation of the co-op's housing project. During construction work, management work takes on another form.

It is the purpose of this manual to explain some of the details on how a cooperative manages its organization and its housing project.



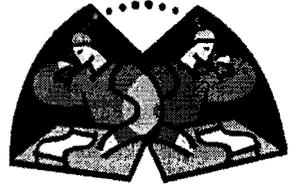
Organizational Management can be defined as overseeing the effective and efficient operations of all the constituent parts of the organization, including those who work for the cooperative, those who obtain services from the cooperative, and, particularly, those who make decisions for the cooperative, which can be the staff, the Board, or the general membership in a General Assembly meeting.



Will developing a housing project change the way we manage our cooperative?

It is unlikely that taking on such a large and complex project such as housing will result in no change in a cooperative's operations and organizational arrangements. Change must be expected and planned for. The important thing is to understand the project's impact and develop organizational changes and procedures that will direct the way in which the housing project is managed.

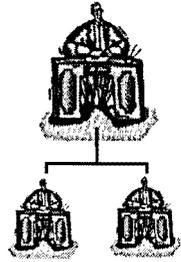
How will it change?



The complexity and technical nature of developing a multiple unit housing project will require specialized expertise. It will also increase the number and magnitude of issues that need to be decided or mediated in some way. Knowing this in advance and creating mechanisms to deal with the changes will reduce the amount of organizational stress suffered as a result of taking on the challenge of a housing project.

Shall we create a Housing Committee?

The first step in dealing with the organizational change associated with taking on a new and large project is to create a specialized committee that will be the 'first point of contact' with issues related to the new activity.



The Committee is comprised of some from the Board and the general membership of the cooperative and should draw on any existing expertise that may exist within these bodies. Someone, usually a Board Member, is elected or selected as chair of the Committee to serve as the liaison between the Committee and the Board (although these functions can be separated).

The Committee will serve as a think-tank and incubator of ideas, and a forum of debate. This is where the concept of the housing project begins to take shape as different notions of the project are raised and debated. It is also where implementation plans begin to take shape with the creation of a workplan to perform all the tasks required to complete the project. The workplan is then presented to the Board for approval.

How will the Housing Committee relate to the Board and the General Assembly?



The Housing Committee generally reports to the Board on a regular basis, usually monthly. This report is presented to the Board by the Committee's board liaison and is given orally as well as in printed form. In this regular report the Committee makes recommendations on issues that arises and indicates the progress of the project according to the approved work plan.

It is the job of the Board to decide on the issues raised by the Committee if it becomes necessary and to raise issues of its own for the committee to investigate or develop a recommendation for action.

The Board is responsible for reporting issues related to the project to the general membership during the General Assembly, although they may request a Committee member to deliver a report to the membership. The General Assembly is responsible on deciding the largest issues related to the housing project, such as, whether or not to even undertake such a project in the first place.

Who reports to whom?

Generally the Housing Committee reports to the Board, and the Board reports to the membership during General Assemblies. A staff may report to another staff, such as the General Manager who then reports to the Board, or it can report to the committee if they were a specialized staff working solely, or partly, on the housing project.



The important point here is to define and formalize, through policies and procedures, the lines of reporting required, early in the process, to avoid confusion in jurisdiction and areas of authority.

Who decides what?

Within the three-way relationship of these bodies – Committee, Board, and General Assembly (GA) – it is important

to define who decides what. This is usually done by setting limits of authority to certain tasks, which at times are set in money terms.



For example, the Committee can be given the authority by the Board, and confirmed in a GA, to make decisions up to a particular level of cost. The GA may decide to give the Board the authority to make decisions involving costs of a greater level than that of the Committee. The GA will then be the body where decisions involving costs above the limit established for the Board are decided.

Limits of authority can also be related to particular types of decisions, such as hiring a contractor, regardless of the costs involved.

Who has the final say?

The membership, in a properly called General Assembly meeting, is the final arbiter of all business of the cooperative. In between General Assemblies, the Board of Directors are tasked to make decisions, or refer them to the next General Assembly.

The General Manager is responsible for day-to-day operations of the cooperative and makes decisions on such issues within a defined limit of authority, or refers such issues to the next Board meeting.

How will it affect our staffing structure?

The large scale of a housing project will mean that there will be a corresponding increase in the issues with which the staff has to respond. It is important for the Board and the general membership to consider carefully whether the existing staff has the capacity to absorb this increase in duties that is certain to follow.

Does any of the staff have the technical knowledge or practical experience that will assist in developing the project, or dealing with the new issues the project generates? A survey of staffing capabilities and available time to take on extra duties must be conducted to determine if the existing staff is able to take on the additional workload involved in developing a housing project.



Shall we hire extra staff?

If the cooperative determines that there is no sufficient expertise or capacity (available time) among the current staff to manage the increased activity due to the implementation of the housing project, then additional staff needs to be hired.

Job descriptions are drafted to clearly outline the duties, reporting requirements, and limits of decision-making authority for any new position. These jobs can be contract in nature, for example, covering the period of development up to construction.

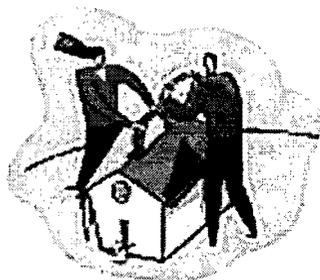
The types of expertise that will be useful in a housing project staff include engineers, architects, developers, construction workers, and people with experience in estate management. It is also important to have people with good financial skills and experience in areas such as mortgage management, cost estimates, cash flow projections, and bookkeeping.

How much will all this cost?

How much the cooperative invests in the project depends on the size or scope of the project, including land acquisition, site development, and construction costs. Of course the first thing is to determine an estimated cost for all of these items. That will mean hiring one, or several, consultants or new staff to conduct these cost estimate studies. Someone from the cooperative can also do this as a volunteer function. However this is not recommended unless the person has the technical knowledge to conduct such studies.

How do we pay for it?

The Cooperative Pabahay Program of Land Bank requires a 10% equity contribution for those who qualify for low-cost housing (housing and lot costs between 180,000 and 500,000 pesos). This financial input to the housing project is usually accomplished through a **savings mobilization scheme** whereby members interested in becoming housing beneficiaries contribute to a fund through monthly contributions. This fund can then be used to finance some, or all, of the costs of the pre-development work on the project, or a down payment for land acquisition.



The co-op also sets up an additional fund, such as an appropriation from a reserve fund or allocation of a surplus, for housing project related expenses that are independent from the member's savings fund. Generally, member's savings are used for equity-based expenditures, such as purchasing land, rather than unrecoverable expenses, such as salaries or consultant fees.

The co-op's initial investment can be recovered when a loan is secured from a financial institution, or on a longer term, from a portion of payments from housing project residents once the project is completed.

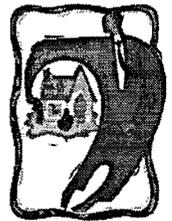
How will the relationship between the 'parent' co-op and the housing project be structured?



When existing multi-purpose cooperatives decide to develop a housing project, the structure of the relationship between the sponsoring, or 'parent', cooperative and the housing project becomes an increasingly important issue. It is important for the 'parent' co-op to define this relationship early in the development process so that it does not become a difficult issue after the housing project is built.

Naturally the housing project will, at first, be one of the many activities of the multi-purpose cooperative. But over time, as the amount of activity in the project increases, it becomes a **division** of the 'parent' co-op, with a separate set of financial accounts, and then becomes a **subsidiary** of the sponsoring co-op or **independent** of the 'parent' co-op entirely.

Shall the housing project be a division of the parent co-op?



By a 'division', what is meant is that the housing project is run as a separate unit of the 'parent' co-op and has, primarily, a separate set of books of account (although these can be integrated into the consolidated financial statements of the multi-purpose cooperative). It can also have a separate staff and even a separate office, such as a site office.

The 'parent' co-op still has control over all major decisions affecting the housing project, but the housing project runs fairly independently in its day-to-day operations following its approved work plan.

Shall the housing project be a subsidiary of the parent co-op?

A 'subsidiary' is a further step removed from the 'parent' co-op than is a 'division'. As a subsidiary, the housing project becomes a semi-autonomous part of the multi-purpose cooperative.



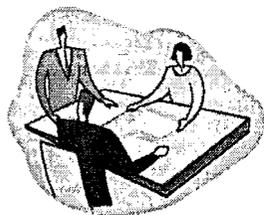
A housing cooperative is formed and sets up a parallel structure to that of the 'parent' co-op. It might even have its own board of directors, or some other high level decision-making body, like a resident's council of a housing association.

However, the housing project, as a subsidiary of the 'parent' co-op, is still responsible to the 'parent' co-op, and the 'parent' retains the power to make binding decisions on the housing project.

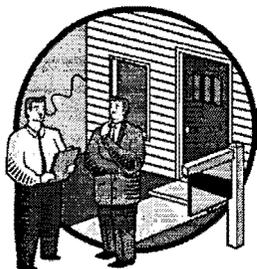
Shall the housing project become an independent corporate entity?

Separately incorporated, the housing project becomes a completely independent entity and is entirely responsible for all aspects of managing the project after fulfilling any financial or other obligations to the sponsoring cooperative.

The new housing cooperative will have a separate membership comprised of the beneficiaries living in the housing units. Although many of the housing co-op members are likely to be members of the sponsoring 'parent' co-op, they do not necessarily have to have dual memberships, unless this has been explicitly decided by the 'parent' co-op membership as one of the criteria of membership in the housing co-op.



The 'parent' co-op will have few, if any, formal ties to the housing co-op. It cannot exercise any decision which effected the housing co-op unless this was contractually stated. For example, the 'parent' co-op can continue to hold the title to the deed of the land and will therefore be in a 'business relationship' as the 'landlord' of the housing co-op.



What happens if all houses and lots were sold to the beneficiaries?

In the case where individual titles to the lots are sold or transferred to the beneficiaries, usually by selling them, the relationship with the 'parent' co-op automatically lessens.

The process of individualizing titles to the residents of the housing project must result in the repayment of, or re-assignment of, any loans, mortgages, investments, or other financial obligations made by the sponsoring cooperative. In this way the housing project becomes, de facto, a nearly independent entity.

The residents of such a housing project might then choose to become a cooperative in its own right, or at least set up a housing association to manage the day-to-day operations of the housing project. There may still be some organizational relationship between the 'parent' co-op and the housing project/association or co-op, but this becomes minimal since all financial responsibility will be transferred to the housing project by the act of selling or transferring title to the residents.

What happens under a collective ownership model?

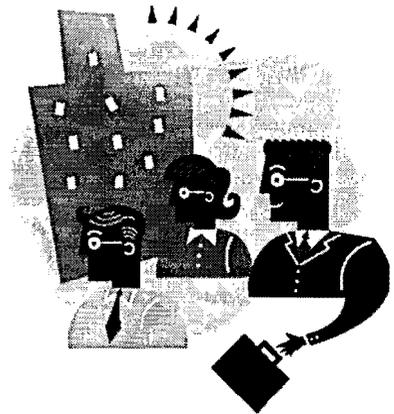
'Collective' ownership is a model wherein ownership of the housing project is held by a cooperative (whether 'parent' or 'child') and

not by individual titles. Usually the cooperative will hold a 'blanket', or complete, mortgage for all lots in the project. The residents pay the cooperative who then pays the financial institution where the loan originates.

In the case of Land Bank of the Philippines (LBP) fund for cooperative housing, the 'blanket' loan can be in place for a period of 15 years or the cooperative can choose to individualize the titles to the residents through 'take-out' schemes with the Home Development Mutual Fund (HDMF) or Pag-ibig.

A housing cooperative using a collective ownership model can be independent from any other 'parent' or sponsoring cooperative, or it can be 'held' or 'owned' by a 'parent' cooperative.

In the former case, the housing project is a 'true' cooperative, where the residents and the members are the same, and the assets are held in common rather than individualized. In the latter case the housing project resembles a typical multi-unit rental property with the 'parent' co-op acting as the 'landlord', although it still runs on cooperative principles.



CO-OP REGISTRATION

Do we have to register our cooperative?

Cooperatives who wish to go into cooperative housing must first be registered with the Cooperative Development Authority (CDA), the government agency tasked with the regulation of cooperatives and their activities.

All cooperatives are required to be registered with CDA. Registration on the other hand offers a variety of benefits for a cooperative housing project. These benefits, stated in Republic Act No. 6938 or the Implementing Rules and Regulations of the Cooperative Code of the Philippines, include exemption from payment of taxes and technical assistance from different government agencies.

Before the cooperative could avail of these benefits, it should first fulfill the different requirements set by the CDA for registration

What are the requirements for registration?



Essential Requirements

1. **Minimum Membership** - At least 15 natural born Filipinos of legal age
2. **Minimum Paid-up Capital** - The amount of authorized share capital is provided under the Articles of Cooperation; at least 25% of authorized share capital must be subscribed and at least 25% of the subscribed capital must be paid-up and in no case be less than P2,000
3. **Common Bond of Ownership** - Members of the cooperative must be bonded by any of the following: residential, institutional, associational, or occupational

Formal Requirements

Newly organized housing cooperatives shall register with the CDA by submitting four (4) copies of the following:

1. Duly notarized Articles of Cooperation with the Treasurer's Sworn Statement
2. Approved By-laws

3. Economic Survey
4. Bond of Accountable Officers



The cooperative is also required to pay a certain amount as registration fee.

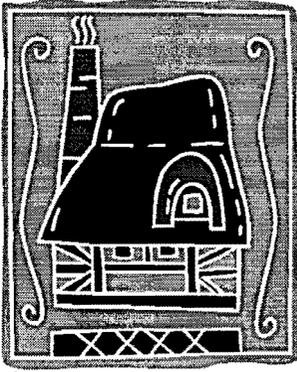
Existing duly registered cooperatives which seek to engage in cooperative housing are also governed by these rules. If the co-op is a multi-purpose cooperative, its Articles of Cooperation and By-Laws must be amended accordingly to include the undertaking of housing projects.

Do we need to get a certification from NHA?

Cooperatives who are going into cooperative housing may choose not to get a certification from the National Housing Authority (NHA) if it thinks it could implement the project on its own. However, those who wish to avail of institutional assistance from NHA are required to get an NHA certification.

This certification entitles the cooperative to avail of technical and other assistance from NHA. As lead government agency involved in housing, the NHA can share its expertise and know-how in the planning, design, implementation, and financing of the cooperative housing project.

This certification is also a requirement for cooperatives who are planning to secure a loan for cooperative housing from Land Bank.



A project is any undertaking that has a definite beginning and end. It is basically made up of a series of tasks. Similarly, a task is any activity that also has a particular beginning and end. The completion of a task is essential to the completion of the project.

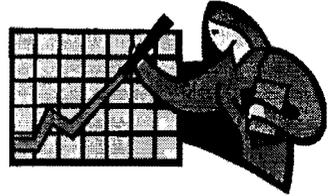
Project management therefore refers to the planning, organizing, directing, and controlling of tasks by any institution or agency in order to effectively realize a certain established objective or goal within a given cost and schedule.

What exactly do we do in project management?

Planning involves the creation, formulation, and programming of the project. It involves determining what to do, and when and how to do it. It first gathers and analyzes all information essential to defining the objectives and the particular tasks at each stage of the project. It then goes through a process of setting targets to achieve maximum effectiveness.

Organizing refers to assembling and obtaining the human and non-human or material resources required by the project. It also involves establishing an efficient framework for carrying out plans while optimally using the resources gathered.

Directing refers to the implementation, supervision, and coordination of activities set within a detailed time and cost framework. A strong leadership is necessary to ensure that the right decisions are made, the staff is highly motivated to undertake the project, and plans are carried out according to specific instructions.

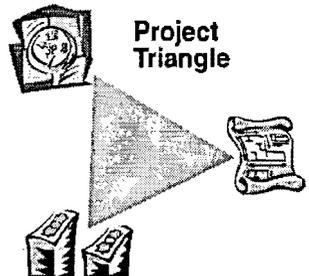


Controlling is the process of evaluating performance in relation to the plan. It establishes a system to generate reports so that appropriate and timely corrections are made whenever there are deviations to the workplans or to certain established standards and goals.

What are the things we have to consider before undertaking a project?

Three critical factors influence the achievement of the project's objectives and these are **time**, **money** and **scope**. Together, they make up what is sometimes referred to as the Project Triangle.

There are some who view the three factors in isolation. However, in actual project implementation, a negative or positive development in one factor significantly affects the whole project. It is therefore important to view these three factors in a holistic or triangular fashion.



What do we mean by project scope?

Scope is defined as the combination of all the project's objectives, goals and tasks, and the work required to accomplish them. The objectives are the deliverables or the tangible and quantifiable criteria by which the success of the project is measured. In the cooperative housing project, these usually include cost, schedule, and quality measures.

There are unquantifiable objectives (for example, customer satisfaction) that may be defined by the cooperative. However, because of the subjective nature of such objectives, defining them tends only to increase the risk that the project won't meet them and the cooperative ends up in frustration.



Who is responsible for ensuring that the scope is met?

Central responsibility for realizing the objectives and tasks of the projects falls on the shoulders of a single individual generally referred to as the **Project Manager**, or of a specific Committee specially formed by the cooperative, to achieve such purposes.

While the Project Manager or the individual members of the Project Management Committee may not have the precise skills to perform the required tasks, what is important is that they are sufficiently familiar with what tasks need to be done and how these should be done. They must also be capable of motivating and organizing the project staff to perform their tasks and accomplish the project's objectives.



Do we need to hire a manager?

The cooperative may choose to hire or not hire a Project Manager or a management agent to handle any and all tasks and responsibilities required by the project. To answer the question, the cooperative must first evaluate what type of management is required during a particular stage of the project. The housing project involves different responsibilities such as land acquisition, construction of housing units, or maintenance of the estate, and therefore requires different types of management.

The cooperative must also evaluate its own strength, in terms of the human resources and capabilities available within the organization. If there are individuals within the organization who do not have any other management responsibility in the co-op and who are more than able to handle the job, the cooperative could opt to use them instead of hiring and paying outside professionals.

How does money influence the outcome of the project?

Money refers to the budget of the project or to the financial, material and human resources that goes into the project. Resources may be utilized efficiently through the formulation of a project budget, which schedules the allocation of people, materials and equipment at any given time.

In any project, the cooperative always works on limited resources. There is just so much funds that could be used to buy so much materials. It is the responsibility of the Project Manager or the Project Management Committee to wisely allocate



and utilize these limited resources, and to determine which tasks and aspects of the project must be prioritized.

Wastage of resources must be avoided, if not kept at a minimal level, since the non-availability of funds or of needed materials could grind the housing project to a halt.



How does time influence the outcome of the project?

Time refers to the schedule and critical path which the project follows. A schedule consists of the timing and sequence of tasks. It also defines the task based on dependencies, duration, constraints, and time-oriented project information.

The critical path refers to the series of tasks that must be completed for a project to finish on schedule. Each task on the critical path is henceforth considered a critical task. One project cannot move on to the next stage until the requirements of the earlier stages remain unmet. For example, one can't place the roof on top of a house unless the walls have been built.

Since construction of a housing project works on a defined budget and is also influenced by such other factors as weather, it is important to set deadlines that tell when the project or its particular task must end. Failure to set a deadline may mean that the project will go on forever without ever being accomplished.

How do we optimize available time and resources?

There is no definite formula that can be used to realize a cooperative housing project given limited time and resources. However, we can

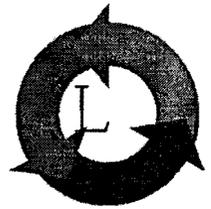
learn from the lessons and experiences of cooperatives, both here and abroad, on the steps they took to build houses for their members.

One of these lessons show that an efficient management system is a factor towards accomplishing cooperative housing. As an aid in management, workplans must be formed and developed since they are effective tools in managing projects especially those of a large scale like housing.

A workplan serves as some sort of a guidepost which indicates how specific tasks comprising the project are arranged and accomplished within a pre-defined time and budget. It is one of several tools that function primarily to control the cooperative housing project's flow of work.

What are the tasks involved in the co-op housing project?

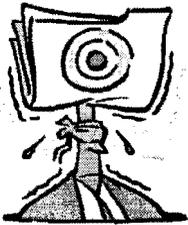
Each project, no matter how complex or varied, has a definite life cycle. A project has its origin from an idea, concept or demand. The idea then requires organization and activities to achieve its realization and completion.



Different types of project have their own life cycles. Generally all projects follow a simple life cycle of predevelopment, development and design, appraisal and approval, implementation, and finally evaluation and redevelopment.

In cooperative housing, the project is to build affordable and decent housing for its members. The role of management is to efficiently and effectively utilize the limited human and material resources of the cooperative to build, maintain, and eventually develop the housing project.

The life cycle of the cooperative housing project can be broken down into tasks consolidated under several stages. These stages are: (1) project identification and definition, (2) project preparation and feasibility analysis, (3) project planning and design, (3) project implementation, and (4) project completion and evaluation. The cooperative can then define the timeframe, the specific activities or tasks, and the organizational, legal, technical, and resources required to achieve completion of each stage.



How do we identify and define the project?

As soon as the cooperative decides to venture into housing, the project is hereby identified. However the specifics of the housing project remain unclear and undefined. Here arises the importance of first identifying the tentative objectives and plans of the project, the needs and preferences of members in their housing, the cooperative housing model that will be followed, and the capability or the strengths and weaknesses of the cooperative.

At this initial stage, such decisions have to be made first before any design is drafted or any plan is laid down. These decisions greatly influence and actually serve as required inputs to the design and plan of the entire project. These must be reached with extreme care as some decisions when once made are quite difficult to reverse or change. Changing such decisions generally results in major losses in effort, time and resources.

How do we arrive at the best decisions for the project?

Realizing the democratic principle of the cooperative or by involving the membership of the cooperative in the decision-making process

is the best way of arriving at the right decisions. We must thoroughly review the project's clearly stated objectives -- what do we really intend to build and for what purpose are we building these structures -- since these are the primary means by which we measure the success of the project.

This can be facilitated through a discussion of the cooperative housing project, its specific objectives, and how the cooperative will go about managing the construction and maintenance of its project. Members of the cooperative must be given an adequate orientation on how the housing project will go about.

Through such a process, members are able to share valuable insights on how to approach the implementation of the project. They are also able to contribute significantly in determining the feasibility of the project -- whether the project could actually be constructed or not, while making optimum use of available technology and limited resources.

Project management discussion with the members of the cooperative will also result in the consolidation of information on the members' needs, preferences, and capacities in relation to the project. Basic information, such as, the type and size of housing the members prefer, the ownership scheme that would be adopted, and the social and economic profile of members, will prove useful during planning, the selection of the project site, and the preparation of initial budgetary estimates.



However, the cooperative must adopt clear guidelines as to what information is really required as input to the planning process. Gathering too much information can be counter-productive because it may escalate project costs and raise the danger of over-expectation or the creation of aspirations which are unattainable due to resource constraints. Preparing a survey sheet which members can easily fill up will help resolve this problem.

Do we begin scouting for potential project sites at this stage?

After the initial preparations have been made, the cooperative then goes on to identify its potential project site. The identification of the site is necessary in the development of a project feasibility study. Several sites must be identified so that the cooperative can choose the best site for the housing project. However, this becomes unnecessary if land is donated to the cooperative. If this is the case, the cooperative may just proceed to assessing how the land may be developed at a minimal cost.

How do we select the project site?

One important thing that must be considered before any actual plans are drawn is the condition of the selected project site. It has been said that the foundations of good housing are laid, not with the footings of the individual houses, but in the selection and planning of the site.



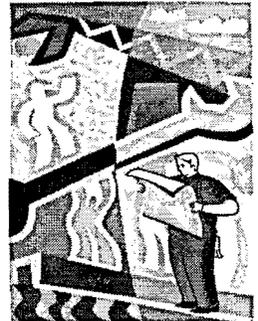
Whether the cost of land and its attendant development fits the co-op's initial budget is a crucial factor in the selection due to the present high cost of lands in the Philippines. However, there are other factors that must be considered in the careful selection of a housing site, among which are accessibility, topography, geological characteristics, and location or the proximity to services, amenities and potential hazards. It is also important to know whether the site is easily convertible or whether it is restricted by existing land use patterns and regulatory zoning of areas for residential, industrial, commercial, or other uses. We must also check the authenticity of the title and other legal documents that will be acquired later, as well as, whether there are liens and encumbrances that will be encountered during land acquisition.

A comparative assessment of sites taking these factors into consideration may help the cooperative decide which site is the best location for the housing project. The selection of the final site, which is done during the project preparation and feasibility analysis stage, is necessary for the preparation of a final feasibility study that will guide project planning. However, no land shall be purchased immediately until the cooperative is ready with adequate financing.

What else do we need to prepare prior to project planning and implementation?

Preparing for project planning and implementation basically means conducting a thorough study of the project and setting up its different resource requirements. Pre-feasibility studies are carried out to determine the technical, financial, organizational, and locational feasibility of the project including its potential impact to the member-beneficiaries, the nearby communities, and the environment.

It is at this stage that the Housing Committee is formed to assist the cooperative in studying the legal and organizational environment on which the project will work and in drafting the project feasibility studies, designs and plans. The By-laws of the cooperative are also amended and appropriate resolutions are passed to conform to the tentative plans and decisions made by the cooperative, if it is deemed necessary.



Why do we need a feasibility study?

To estimate the total cost that goes into the entire project, the material and human resource requirements necessary to implement the different tasks that go into the housing project must be determined. A preliminary

plan is also drafted to establish the appropriate final plan for the project's development. To do this, the cooperative makes a project feasibility study. The feasibility study will aid the cooperative in ascertaining the project's viability under different conditions.

Through a feasibility study, the cooperative is able to evaluate whether or not it has the technical capacity to implement the project. If it determines that it cannot implement the project on its own, it can then scan for available support from government and private institutions. If this is the case, the cooperative formalizes its tie-up with an institution through a memorandum of agreement.



Projecting costs, on the other hand, can help the cooperative establish affordable ranges of costs for raw land, construction materials, and contractor services if necessary. It can also help the cooperative identify potential sources of funding and establish schemes that will mobilize resources to meet out the project's huge requirements.

Critical factors such as costs and locational constraints established during the feasibility analysis can also affect the design of the project. For example, while Filipino culture dictates a preference for individual single-family detached housing units, the cooperative may choose to modify the units into multi-family medium-rise walk-ups due to spatial limitations.

How do we do the feasibility study?

The cooperative prepares an initial design of the project based on the specifications submitted by the member-beneficiaries. Other information that can assist the cooperative in making such a design are



the successful experiences of housing cooperatives in different countries.

It then determines the initial budgetary estimates for land acquisition and development and for the construction of the housing units and support facilities. These designs and estimates are then matched with the cooperative's financial, material, and labor capability.

A technical study is also undertaken wherein the cooperative analyses the technical requirements of the project vis-a-vis the organization's technical capacity. The cooperative examines different ways of managing and carrying out the housing project based on size, location, existing technology, available institutional support, and acceptable standards of design and construction as provided by law.

What happens during the planning stage?



Planning is mainly the formulation of a general outline of work and the designing of a desired output. A careful analysis of the various information and factors derived during the earlier stages is essential to the preparation of a workplan or a course of action. Other plans that will be prepared based on the final approved site and the final feasibility study include the plan for site development, the design of the houses, and the design of communal facilities.

The designs are made by professional architects and engineers as determined by the identified needs of the beneficiaries. However, no design is considered final and implementable unless there is final approval by the Board and the general membership of the cooperative during a General Assembly.

Planning also requires the identification of the project's different required tasks and how to arrange them in a definite and logical sequence. The cooperative and the team that will be in charge of project implementation must be able to distinguish between immediate or short-term tasks and long-term goals. Once the phasing of the different tasks is laid down, this is strictly followed to achieve the desired results.



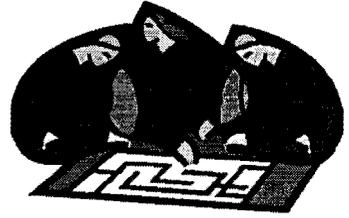
Is it necessary to identify alternative plans or scenarios?

Planning involves a certain amount of risk-taking. At this stage, the project is formulated based on identified resources and capacities of the cooperative, as well as on other factors such as strengths, weaknesses, opportunities, and threats that may serve to constrain the project. A constraint is any factor that limits the project's options during planning. There are specific tasks that may be undertaken for every given mix of, say threats and weaknesses.

Assumptions are unavoidably made during planning and these are factors, which for planning purposes, may be considered to be true, real or certain. To minimize risks, management must identify the different scenarios that the project would undergo. Thinking ahead and building possible situations based on different cases and environmental conditions can help put the plan on a more realistic and flexible level.

Planning is, unavoidably, a repetitive and iterative process. If we encounter opportunities and threats which were not present or accounted for during the initial planning, we must not be afraid to re-plan and make the necessary adjustments, especially during the next stage of project implementation.

What are the things we have to consider during planning?



The identification of the final site for the housing project signals the start of the planning stage. The cooperative now proceeds to legally acquire the land. At the same time, a team from or hired by the cooperative initiates a comprehensive and detailed engineering survey of the acquired lot. Data gathered from this survey will form part of the project's final designs.

At this stage, the final list of member-beneficiaries of the housing project is approved by the cooperative. Finalizing the number of residents is critical in determining how many housing units will be built.

The organizational and construction management requirements of the project are also determined. A construction team composed, wholly or partially, of members of the cooperative can be setup, or the cooperative can simply decide to contract out construction work to an outside contractor or engineering firm.

The cooperative also secures its financing requirements for the project. It further consolidates the savings and resource mobilization schemes it had setup earlier. It finalizes negotiations with the different institutions that had been identified as possible fund sources.



Lastly, the cooperative goes to several government offices to secure the various licenses, permits, and other legal documentary requirements necessary before it may begin with land development and the construction of housing units. (*These regulatory requirements are discussed in the Manual on Regulating Co-op Housing.*)

What happens during project implementation?



Implementation begins as soon as the green light has been given by the cooperative's Board or general membership. This stage involves the actual procurement of all resource requirements, land development, construction of the housing units and the entire community, and the monitoring and supervision of construction work. *(These tasks are discussed comprehensively on a separate Manual on Constructing Co-op Housing.)*

When do we know that the project has been completed?

Technically the housing project is considered complete once the Certificate of Occupancy has been released by the building official of the city or municipality where the project was built. This certificate indicates that the houses are ready to be turned over to their beneficiaries and the cooperative is ready to proceed to another level of management.

Is it necessary to evaluate the project after completion?



The cooperative and the individuals involved in project management must rightly do an evaluation after completion of the housing project has been achieved. The purpose of the evaluation is to assess the performance and work rendered by each member or component of the project team.

The evaluations seek to review whether the project met the objectives it had set in the beginning and whether it has completed the project

on time and within budget. Identifying the factors that had either hindered or sped up the completion of the project will help strengthen the cooperative's capability in pursuing similar projects in the future.

What else do we do during project completion?

Management work during this stage involves the finalization of reports, the conclusion of audits and financial assessments to prepare for the collection of mortgages and closeout of loan, and the planning of follow-up and other development activities.

To prepare for the next phase of management, the cooperative conducts a training or orientation on estate management. The cooperative also sets up and approves the different policies concerning the use and maintenance of the property, including the system for the collection of payments from members. Who goes into what housing unit is also finalized.



If the cooperative decides to pursue individual ownership, it is at this stage that it begins to undergo unitization of titles. But whether it opts for individual or communal ownership, ownership of common facilities such as roads and utilities remain with the cooperative until such time that the cooperative chooses to turn them over to the local government where the project is situated.

Stages of the Cooperative Housing Project

	<i>1</i>	<i>2</i>
	Project Identification and Definition	Project Preparation and Feasibility Analysis
Turning Point	<i>Co-op Decides to Pursue Housing Project</i>	<i>Co-op Agrees to Formulate Project Study and Identify Potential Sites</i>
Project Tasks	<ol style="list-style-type: none"> 1. Objective Setting and Orientation 2. Survey of Members Needs and Preferences 3. Evaluation of Co-op Strengths and Weaknesses 4. Site Selection and Identification 	<ol style="list-style-type: none"> 1. Pre-feasibility Analysis 2. Amendments to By-laws 3. Creation of Housing Committee 4. Formulation of Initial Rules and Policies 5. Initiate Financing Schemes 6. Site Assessments 7. Locking-up of Land 8. Study Housing Laws and Regulations [9. Formal Tie-up with Institution/s]

3

**Project
Planning
and Design**

*Site Identified and
List of Member-
Beneficiaries
Finalized*

1. Transfer of Land Title
2. Finalization of Feasibility Study
3. Preparation of Architectural and Engineering Designs
4. Setup Construction Team and Work plans
5. Finalization of Member-Beneficiaries
6. Acquisition of Permits and Licenses

4

**Project
Implementation**

*Designs and other
Requirements
Finalized for
Implementation*

1. Setup Construction Team
2. Acquisition of Permits
[3. Bidding for Contractor]
4. Procurement of Resource Requirements
5. Land Development
6. Construction of Houses, etc
[7. Unitization of Titles]

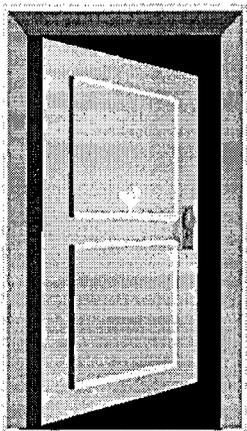
5

**Project
Completion and
Evaluation**

*Co-op Certifies
Completion and
Turnover of Housing
Units*

1. Evaluation of Units and Finalization of Reports
2. Project Auditing and Financial Assessment
4. Assignment of Housing Units
5. Approval of Policies including Collection of Mortgages
6. Setup of System for Estate Management

**project task in brackets optional, decision up to the co-op*



Once construction of the housing project is completed, occupancy of the housing units begins. The occupancy of the units by members of the cooperative and their families highlights the success of the cooperative undertaking. It is therefore fitting that a celebration be held to mark the completion and occupancy of the housing units. The celebration will also serve as a warm welcome to these families.



After the celebration, a new phase in the management of the cooperative project begins. Management during the occupancy and post-occupancy phase is sometimes termed as estate management. This involves primarily the delivery, maintenance, and development of the housing project.

Is estate management important?

Preserving the long-term economic value of the cooperative housing project and satisfying the different needs of residents is one of the primary goals of an effective estate management program. The cooperative strives to protect the members' investment by properly maintaining the property through sound maintenance practices.



Maintaining the excellent condition and appearance of the housing units and the grounds upon which they have been built reduces costs, promotes the desirability of the project, and contributes to the expansion of the cooperative's membership.

Proper estate management can improve the cooperative's cash flow and decrease unnecessary expenses. A well-designed preventive maintenance program carried out on a regular basis is more cost effective than maintenance by crisis. An orderly and planned maintenance schedule where problems are anticipated makes the best use of available manpower, equipment, and money compared to expenditures made during troubleshooting only when the problem arises.

Satisfactory completion of all service requests within a reasonable time period assures residents that their stay in the community is pleasurable. It is important that the cooperative promptly responds to the various complaints of residents of the housing project.

What preparations are made prior to occupancy?

Before estate management is undertaken, the following preparations are made by the cooperative:

- possession of copies of all project plans for record-keeping

- formulation of operational policies and procedures for the disposition of lots, dwellings, or structures
- preparation and printing of the necessary deeds and forms to be executed in favor of the project beneficiaries or residents
- information campaign to acquaint residents on the maintenance and improvement of their properties
- set-up appropriate filing systems for important documents, communications, and work-order management

What are the aspects of estate management?

Estate management has four (4) component aspects or functions. These interrelated aspects are the following:

1. delivery of housing units
2. recovery of investments
3. conservation of the project
4. cultivation of harmony among beneficiaries

How do we deliver the housing units to members?



The first important aspect of estate management is to deliver or award the housing unit or the house and lot package to members of the cooperative who are now residents in the new property. This turnover must be handled with care to avoid chaos and misunderstanding.

A reasonable method for determining who gets what unit must be developed during the early stages of the project. A pre-occupancy checklist is prepared to determine that the intended beneficiary has paid any or all required equity contributions to the project and has followed all reporting requirements.

Other items that should be given to the residents are the information on the care and use of the unit and its facilities, tenurial services, and legal documents entitling them to ownership of the unit.

The cooperative distributes individual Transfer Certificates of Title (TCT) or Condominium Certificates of Title (CCT) to each resident if it adopts individual ownership. *(The procedure on how to subdivide the the land title, which is initially under the name of the cooperative, is presented in the Manual on Regulating Co-op Housing.)*

However, if the cooperative adopts collective ownership, documents entitling ownership to the land and other property remains with the cooperative. What is given to the individual resident is an **Occupancy Contract Agreement** with the cooperative.



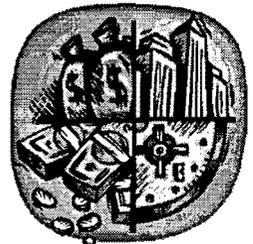
The Occupancy Agreement is a major contract between the cooperative and its housing beneficiary which certifies the member's right to occupy a housing unit and specifies the terms and conditions concerning occupancy and the use of the co-op's property.

Is there a need to recover investments made in the project?

The cooperative needs to recover what it has invested in the project. It needs to pay back the loan it obtained from the bank or some lending institution. The cooperative immediately determines when recovery must begin and how much it must charge the residents at any given time.

To ensure recovery of investments, the following pre-requisites are essential:

- pre-determine the price, rental or other charges to recover not only investment but also the costs needed for estate management



- establish an efficient collection system that will be convenient for the members in making payments
- setup a fast and accurate bookkeeping machinery to determine whether the investment is being recovered and to identify beneficiaries who fail to pay their regular dues
- establish compulsory measures or sanctions that would compel beneficiaries to make payments and avoid prolonged delinquency



How do we maintain the property?

The economic, aesthetic, and hygienic values of the property must be conserved so that the cooperative may continue to give the best service to its beneficiaries.

When a manufacturer produces and sells its product, it usually provides a warranty that its product will remain in good working condition for a certain length of time. It is no different in real estate property.

The cooperative provides services to maintain and preserve the economic value of the project and its structures and vital systems. It provides a wholesome environment so that the residents may enjoy a pleasant life within the community.

These services include, but are not limited to, maintenance of the 'physical plant' (the structures on the site and important systems such as water distribution, sanitation, garbage collection, and roads). In order to provide these services, the co-op needs to determine what is an acceptable level of maintenance for the components of the 'physical plant' and develop a system of preventative and reactive maintenance to consistently achieve the agreed upon level of maintenance.

The Board and membership in a General Assembly sets the standards. Committees and staff develop maintenance systems based on the agreed standards. The staff is then tasked with ensuring that these standards are met by using the maintenance systems developed and monitoring the work of trades people and contractors hired to do specific or specialized work.

How do we build the cooperative community?

The promotion of harmonious relations among residents, between residents and the management of the property, and between residents and the participating government agencies and private institutions, is essential in the post-occupancy phase of the cooperative project.

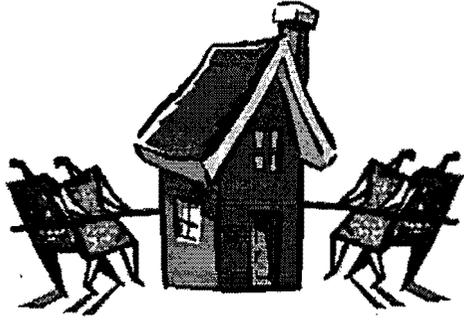
Socialization activities, aside from training and education, are undertaken so that concern for the project and the community is developed among residents. It is also a means for resolving possible disputes or problems that may arise in the future. If disputes arise, the cooperative may consider a conflict resolution committee to try to negotiate between the conflicting parties.



The residents of the housing project may also organize a homeowners association to assist the cooperative in attending to such concerns. They may elect among themselves the officers of this new association. This association may not be necessary when the housing project residents and the cooperative membership is one and the same. However, when there is a relationship to a larger cooperative whose non-housing project members outnumber the housing project residents, a homeowners association can take on some of the tasks of managing the project and create a formal body to manage the organizational relationship to the 'parent' cooperative.

Is the co-op still relevant after houses have been distributed?

The responsibilities of the members and leaders of the cooperative, some of whom (if not all) are now residents, do not end once they have settled into their respective housing units. The life of the cooperative also does not end with the completion and occupancy of the project.



The cooperative remains essential in answering the new needs of its resident/members and the emerging community. For example, the provision of new services and utilities that will complement the housing project is part of management's new responsibility.



What is the relationship of the cooperative to the homeowners association?

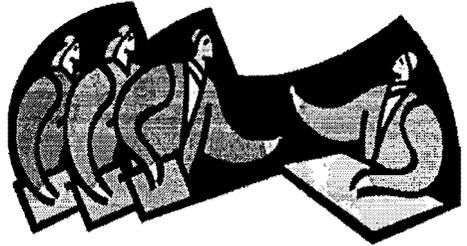
The homeowners association may exist side-by-side with the cooperative. It can be made solely concerned with the different aspects of estate management while the cooperative may now venture into other enterprises such as livelihood or development projects. If the cooperative decides to form a homeowners association, Presidential Decree 957 or the Subdivision

and Condominium Buyer's Protective Decree requires the new organization to be first registered with the Housing and Land Use Regulatory Board (HLURB).

What is the role of the Board in estate management?

Whether the cooperative sets up a separate homeowners association or not, responsibility for the overall management of the cooperative and its housing project remains with the Board of Directors. The Board remains primarily responsible for managing the cooperative's finances, maintaining the property, and to meeting its obligations to residents of the housing project.

The Board is responsible both for the governance of the cooperative corporation and the management requirements of the property. Governance usually refers to responsibilities of the cooperative as an organization. This involves resolving the grievances of residents, overseeing the financial affairs of the corporation, and other functions as defined in the cooperative's By-laws.



The powers and duties of the Board are defined in the cooperative's By-laws. The By-laws are different from the Occupancy Agreement. The By-laws define the rights and responsibilities of members to the organization, while the Occupancy Agreement defines the rights and responsibilities of members as residents.

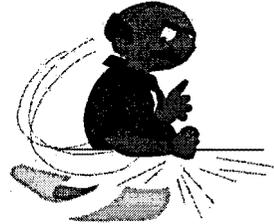
Do we need to hire a separate manager?

Management refers to the day-to-day tasks of maintaining the cooperative's property. These tasks are clearly defined by the Board of Directors. These can then be delegated and contracted to an outside manager so the Board can assume bigger responsibilities such as resolving disputes among residents and eliminating conflict of interest within the organization.

The contracted manager is a paid employee of the cooperative with a definite job description. He or she can come from inside or outside the ranks of the members of the cooperative. He or she reports to the Board on the progress and problems of the housing project. He or she can be made responsible for specific tasks on a specific timeframe such as maintaining the grounds or keeping the water system.

Who has final say?

The members of the cooperative remain at the top of the organizational hierarchy of the cooperative since they are the ones who elect the members of the Board of Directors. They are also the ones who define and delegate the Board's responsibilities on running the organization and managing their property. Since some of the members, if not all, are now residents of the property, the members during General Assemblies have the capacity to speak out and decide what is good for the housing community.



Appendix

MODEL FORM OF OCCUPANCY AGREEMENT

THIS AGREEMENT made and entered into this ___ day of _____, 19____ by and between: _____ (hereinafter referred to as the Corporation), a corporation having its principal office and place of business at _____ and _____ (hereinafter referred to as Member).

WHEREAS, the Corporation has been formed for the purpose of acquiring, owning and operating a cooperative housing project to be located at _____ with the intent that its members in stock corporations change "members" to "stockholders" and add the following parenthetical clause "(hereinafter called members)" shall have the right to occupy the dwelling units thereof under the terms and conditions hereinafter set forth, and;

WHEREAS, the Member is the owner and holder of a certificate of membership (or _____ shares of common capital stock) of the Corporation and has a bona fide intention to reside in the project;

WHEREAS, the Corporation proposes to develop the property in _____ sections which will involve a total of approximately _____ dwelling units with Section _____ thereof involving _____ of such dwelling units (Section _____ is hereinafter referred to as the "Project");

WHEREAS, the Member has certified to the accuracy of the statements made in his application and family income survey and agreement and understands that family income, family compensation and other eligibility requirements are substantial and material requirements of his initial and of his continuing occupancy;

NOW THEREFORE in consideration of One Dollar (\$1.00) to each of the parties paid by the other party the receipt of which is hereby acknowledged and in further consideration of the mutual promises contained herein, the Corporation hereby lets

*U.S. Department of Housing and Urban Development
Federal Housing Administration Form No. 3237*

the Member, and the Member hereby hires and takes from the Corporation, dwelling and number _____ located at _____

TO HAVE AND TO HOLD said dwelling unit unto the Member, his executors, administrators, and authorized assigns on the terms and conditions set forth herein and in the corporate Charter and By Laws of the Corporation and any rules and regulations of the Corporation now or hereafter adopted pursuant thereto from the date of this agreement, for a term terminating on _____, _____* renewable thereafter for successive three year periods under the conditions provided for hereto:

ARTICLE 1. MONTHLY CARRYING CHARGES

Commencing at the time indicated in ARTICLE 2 hereof, the Member agrees to pay to the Corporation a monthly sum referred to hereby as "Carrying Charges" equal to one-twelfth of the Member's proportionate share of the sum required by the Corporation as estimated by the Board of Directors to meet its annual expenses pertaining to the Project and to the community or other facilities which the Member is entitled to utilize, including but not limited to the following items:

- (a) The cost of all operating expenses of the project and services furnished
- (b) The cost of necessary management and administration
- (c) The amount of all taxes and assessments levied against the project of the Corporation or which it is required to pay and ground rent, if any
- (d) The cost of fire and extended coverage insurance on the project and such other insurance the Corporation may effect or as may be required by any mortgage on the project
- (e) The cost of furnishing water, electricity, heat, gas, air conditioning, garbage and trash collection, and other utilities if furnished by the Corporation
- (f) All reserves set up by the Board of Directors pertaining to the project
- (g) The estimated cost of repairs, maintenance and replacements of the project property to be made by the Corporation
- (h) The amount of principal interest, mortgage insurance premiums, if any and other required payments on the hereinafter mentioned insured mortgage
- (i) Any other expenses of the Corporation approved by the Board of Directors, including operating deficiencies if any for prior periods.

The Board of Directors shall determine the amount of Carrying Charges annually, but may do so at more frequent intervals, should circumstances so require. No member shall be charged with more than his proportionate share thereof so determined by the Board of Directors. That amount of the Carrying Charges required for payment on the principal of the mortgage of the Corporation or any other capital expenditures shall be credited upon the books of the Corporation in the "Paid-in Surplus" account as a capital contribution by the members.

* The termination date to be inserted should be three years from the date of the Occupancy Agreement.

"Notwithstanding the above provisions it is understood and agreed by the Member and the Corporation that where the annual family income of the Member is such that he is entitled to the benefit of the interest reduction payment made by the Secretary of Housing and Urban Development (hereinafter referred to as Secretary) to the mortgagee, the monthly Carrying Charges for the member shall be reduced to the extent required by the Secretary as set forth in the Regulatory Agreement.

Until further notice from the Corporation the Monthly Carrying Charges for the above mentioned dwelling unit shall be \$ _____.

"It is understood and agreed that if the annual family income of the Member is hereinafter increased, his monthly Carrying Charges will be increased to the extent required by the Secretary as set forth in the Regulatory Agreement.

"The Member agrees, however, that if during the term of this agreement the total income of his family exceeds the limitations for occupancy which may be established from time to time by the Secretary of Housing and Urban Development (hereinafter referred to as Secretary), he will pay to the Corporation and upon 90 days' written notice, additional monthly Carrying Charges in an amount commensurate with the amount of his family income in excess of the income limitations, pursuant to a plan previously developed by the Corporation and approved by the Secretary. In no event shall the total Monthly Carrying Charge, including such additional charges for excess income, exceed that which would have been applicable had the mortgage of the Corporation borne interest at the rate of 6 per cent per annum and a mortgage insurance premium of $\frac{1}{2}$ of 1 percent been required.

"The Member agrees that his family income, family composition and other eligibility requirements are substantial and material conditions with respect to the amount of monthly carrying charges he will be obligated to pay and with respect to his continuing right of occupancy. The Member agrees to make a recertification of his income to the Corporation at least every two years from the date of this Agreement so long as he is receiving the benefit of interest reduction payments made by the Secretary to the mortgagee. The Member further agrees that the monthly carrying charges are subject to adjustment by the Corporation to reflect income changes which are disclosed on any of the Member's recertifications, as required by the Regulatory Agreement. Immediately upon making such adjustment, the Corporation agrees to give 30 days written notice to the Member stating the new amount the Member would be required to pay, which, until further notice shall then be the Member's monthly carrying charge.

"The Member agrees to pay to the Corporation any Carrying Charge which should have been paid but for (a) Member's misrepresentation in his initial income certification or recertification, or any other information furnished to the Corporation; or (b) Member's failure to supply income recertifications when required or to supply information requested by the Corporation.

ARTICLE 2. WHEN PAYMENT OF CARRYING CHARGES TO COMMENCE

After thirty days' notice by the Corporation to the effect that the dwelling unit is or will be available for occupancy, or upon acceptance of occupancy, whichever is earlier, the Member shall make a payment for Carrying Charges covering the unexpired balance of the month. Thereafter, the Member shall pay Carrying Charges in advance on the first day of each month.

ARTICLE 3. PATRONAGE REFUNDS

The Corporation agrees on its part that it will refund or credit to the Member within ninety (90) days after the end of each fiscal year, his proportionate share of such sums as have been collected in anticipation of expenses of all kinds, including reserves, in the discretion of the Board of Directors.

ARTICLE 4. MEMBER'S OPTION FOR AUTOMATIC RENEWAL

It is covenanted and agreed that the term herein granted shall be extended and renewed from time to time by and against the parties hereto for further periods of three years each from the expiration of the term herein granted upon the same covenants and agreements as herein contained unless: (1) notice of the Member's election not to renew shall have been given to the Corporation in writing at least four months prior to the expiration of the then current term, and (2) the Member shall have on or before the expiration of said term (a) endorsed all his (stock) (membership certificate) for transfer in blank and deposited same with the Corporation, and (b) met all his obligations and paid all amounts due under this agreement up to the time of said expiration, and (c) vacated the premises, leaving same in good state of repair. Upon compliance with provisions (1) and (2) of this Article, the Member shall have no further liability under this agreement and shall be entitled to no payment from the Corporation.

ARTICLE 5. PREMISES TO BE USED FOR RESIDENTIAL PURPOSES ONLY

The Member shall occupy the dwelling unit covered by this agreement as a private dwelling unit for himself and/or his immediate family and for no other purpose, and may enjoy the use in common with other members of the corporation of all community property and facilities of the entire cooperative community so long as he continues to own a (membership certificate) (share of common stock) of the Corporation, occupies his dwelling unit, and abides by the terms of this agreement. Any sub-lease of the Member, if approved pursuant to Article 7, may enjoy the rights to which the Member is entitled under this Article 5.

The Member shall not permit or suffer anything to be done or kept upon premises which will increase the rate of insurance on the building or on the contents thereof or which will obstruct or interfere with the rights of other occupants, or annoy them by unreasonable noises or otherwise, nor will he commit or permit nuisance on the premises or commit or suffer any immoral or illegal act to be committed thereon. The Member shall comply with all of the requirements of the Board of Health and of all

other governmental authorities with respect to the said premises. If by reason of the occupancy or use of said premises by the Member the rate of insurance on the building shall be increased, the Member shall become personally liable for the additional insurance premiums.

ARTICLE 6. MEMBER'S RIGHT TO PEACEABLE POSSESSION

In return for the Member's continued fulfillment of the terms and conditions of this agreement, the Corporation covenants that the Member may at all times while this agreement remains in effect, have and enjoy for his sole use and benefit the dwelling unit hereinabove described, after obtaining occupancy, and may enjoy in common with all other members of the Corporation the use of all community property and facilities of the entire cooperative community.

ARTICLE 7. NO SUBLETTING WITHOUT CONSENT OF CORPORATION

The Member hereby agrees not to assign this agreement nor to sublet his dwelling unit without the written consent of the Corporation on a form approved by the Department of Housing and Urban Development (hereinafter referred to as HUD). The liability of the Member under this Occupancy Agreement shall continue notwithstanding the fact that he may have sublet the dwelling unit with the approval of the Corporation and the Member shall be responsible to the Corporation for the conduct of his sublease. Any unauthorized subleasing shall, at the option of the Corporation, result in the termination and forfeiture of the member's rights under the Occupancy Agreement. Non-paying guests of the Member may occupy Member's unit under such conditions as may be prescribed by the Board of Directors in the rules and regulations.

ARTICLE 8. TRANSFERS

Neither the agreement nor the Member's right of occupancy shall be transferable or assignable except in the same manner as may now or hereafter be provided for the transfer of memberships in the By-Laws of the Corporation.

The Member hereby certifies that neither he nor anyone authorized to act for him will refuse to sell his membership, after the making of a bona fide offer, or refuse to negotiate for the sale of, or otherwise make unavailable or deny the membership to any person because of race, color, religion, or national origin. Any restrictive covenant on cooperative property relating to race, color, religion, or national origin is recognized as being illegal and void and is hereby specifically disclaimed. Civil action for preventive relief may be brought by the Attorney General in any appropriate U.S. District Court against any person responsible for a violation of this certification.

ARTICLE 9. MANAGEMENT, TAXES AND INSURANCE

The Corporation shall provide necessary management, operation and administration of the project; pay or provide for the payment of all taxes or assessments levied against the project; procure, pay or provide for the payment of fire insurance -

and extended coverage, and other insurance as required by any mortgage on property in the project, and such other insurance as the Corporation may deem advisable on the property in the project. The Corporation will not, however, provide insurance on the Member's interest in the dwelling unit or on his personal property.

ARTICLE 10. UTILITIES

The Corporation shall provide water, electricity, gas, heat and air-conditioning in amounts which it deems reasonable (Strike out any of the foregoing items in this Article which are not applicable.) The Member shall pay directly to the supplier for all other utilities.

ARTICLE 11. REPAIRS

(a) By Member. The Member agrees to repair and maintain his dwelling unit at his own expense as follows:

- (1) Any repairs or maintenance necessitated by his own negligence or misuse;
- (2) Any redecoration of his own dwelling unit; and
- (3) Any repairs, maintenance or replacements required on the following items:
(Insert the items desired, subject to HUD approval)

(b) By Corporation. The Corporation shall provide and pay for all necessary repairs, maintenance and replacements, except as specified in clause (a) of this Article. The Officers and employees of the Corporation shall have the right to enter the dwelling unit of the Member in order to effect necessary repairs, maintenance and replacements, and to authorize entrance for such purposes by employees of any contractor, utility company, municipal agency, or others, at any reasonable hour of the day and in the event of emergency at any time.

(c) Right of Corporation to Make Repairs at Member's Expense In case the Member shall fail to effect the repairs, maintenance or replacements specified in clause (a) of this Article in a manner satisfactory to the Corporation and pay for same, the latter may do so and add the cost thereof to the Member's next month's Carrying Charge payment.

ARTICLE 12. ALTERATIONS AND ADDITIONS

The Member shall not, without consent of the Corporation, make any structural alterations in the premises or in the water, gas or steam pipes, electrical conduits, plumbing or other fixtures connected therewith, or remove any additions, improvements or fixtures from the premises.

If the Member for any reason shall cease to be an occupant of the premises, he shall surrender to the Corporation possession thereof, including any alterations, additions, fixtures and improvements.

The Member shall not, without the prior written consent of the Corporation, install or use in his dwelling unit any air conditioning equipment, washing machine, clothes

dryer, electric heater, or power tools. (Strike out any of the foregoing items which are not applicable.) The Member agrees that the Corporation may require the prompt removal of any such equipment at any time, and that his failure to remove such equipment upon request shall constitute a default within the meaning of Article 13 of this agreement.

ARTICLE 13. DEFINITION OF DEFAULT BY MEMBER AND EFFECT THEREOF

It is mutually agreed as follows. At anytime after the happening of any of the events specified in clause (a) to (l) of this Article, the Corporation may at its option give to the Member a notice that this agreement will expire at a date not less than ten (10) days thereafter. If the Corporation so proceeds, all of the Member's rights under this agreement will expire on the date so fixed in such notice, unless in the meantime the default has been cured in a manner deemed satisfactory by the Corporation, it being the intention of the parties hereto to create hereby conditional limitations, and it shall thereupon be lawful for the Corporation to re-enter the dwelling unit and to remove all persons and personal property therefrom, either by summary dispossession proceedings or by suitable action or proceeding at law or in equity or by any other proceedings which may apply to the eviction of tenants or by force or otherwise and to repossess the dwelling unit in its former state as if this agreement had not been made.

- (a) In case of any time during the term of this agreement the Member shall cease to be the owner and legal holder of a membership [or share of the stock] of the Corporation
- (b) In case the Member attempts to transfer or assign this agreement in a manner inconsistent with the provisions of the By-Laws
- (c) In case at any time during the continuance of this agreement, the Member shall be declared a bankrupt under the laws of the United States.
- (d) In case at any time during the continuance of this agreement, a receiver of the Member's property shall be appointed under any of the law of the United States or any state.
- (e) In case at any time during the continuance of this agreement, the Member shall make a general assignment for the benefit of creditors.
- (f) In case at any time during the continuance of this agreement, any of the stock or membership of the Corporation owned by the Member shall be duly levied upon and sold under the process of any Court.
- (g) In case the Member fails to effect and/or pay for repairs and maintenance as provided for in Article 11 hereof.
- (h) In case the Member shall fail to pay any sum due pursuant to the provisions of Article 1 or Article 10 hereof.
- (i) In case the Member shall default in the performance of any of his obligations under this agreement.
- (j) In case at any time during the term of this agreement the limitations for occupancy which may be established from time to time by the HUD.
- (k) In case at any time during the term of this agreement, the Member fails to comply promptly with all requests by the Corporation or HUD for information and certifications concerning the income of the Member and his family, the composition of the Member's family and other eligibility requirements for occupancy in the project.

The Member hereby expressly waives any and all right of redemption in case he shall be dispossessed by judgement or warrant of any Court or judge; the words "enter", "re-enter", and "re-entry" as used in this agreement are not restricted to their technical legal meaning, and in the event of a breach or threatened breach by the Member of any of the covenants or provisions hereof, the Corporation shall have the right of injunction and the right to invoke any remedy allowed at law or in equity, as if re-entry, summary proceedings, and other remedies were not herein provided for.

The Member expressly agrees that there exists under this Occupancy Agreement a landlord-tenant relationship and that in the event of a breach or threatened breach by the Member of any covenant or provision of this Agreement, there shall be available to the Corporation such legal remedy or remedies as are available to a landlord for the breach or threatened breach under the law by a tenant of any provision of a lease or rental agreement.

The failure on the part of the Corporation to avail itself of any of the remedies given under this agreement shall not waive nor destroy the right of the Corporation to avail itself of such remedies for similar or other breaches on the part of the Member.

ARTICLE 14. MEMBER TO COMPLY WITH ALL CORPORATE REGULATIONS

The Member covenants that he will preserve and promote the cooperative ownership principles on which the Corporation has been founded, abide by the Charter, By-Laws, rules and regulations of the Corporation and any amendments thereto, and by his acts of cooperation with its other members bring about for himself and his co-members a high standard in home and community conditions. The Corporation agrees to make its rules and regulations known to the Member by delivery of same to him or by promulgating them in such other manner as to constitute adequate notice.

ARTICLE 15. EFFECT OF FIRE LOSS ON INTERESTS OF MEMBER

In the event of loss or damage by fire or other casualty to the above-mentioned dwelling unit without the fault or negligence of the Member, the Corporation shall determine whether to restore the damaged premises and shall further determine, in the event such premises shall not be restored, the amount which shall be paid to the Member to redeem the (membership) (common stock) of the Member and to reimburse him for such loss as he may have sustained.

If, under such circumstances, the Corporation determines to restore the premises, Carrying Charges shall abate wholly or partially as determined by the Corporation until the premises have been restored. If on the other hand the Corporation determined not to restore the premises, the Carrying Charges shall cease from the date of such loss or damage.

ARTICLE 16. INSPECTION OF DWELLING UNIT

The Member agrees that the representatives of any mortgage holding a mortgage on the property of the Corporation, the officers and employees of the Corporation,

and with the approval of the Corporation the employees of any contractor, utility company, municipal agencies or others, shall have the right to enter the dwelling unit of the Member and make inspections thereof at any reasonable hour of the day and at any time in the event of emergency.

ARTICLE 17. SUBORDINATION CLAUSE

The project, of which the above-mentioned dwelling unit is a part, was or is to be constructed or purchased by the Corporation with assistance of a mortgage loan advanced to the Corporation by a private lending institution with an understanding between the Corporation and the lender that the latter would apply for mortgage insurance under the provisions of the National Housing Act. Therefore, it is specifically understood and agreed by the parties hereto that this agreement and all rights, privileges and benefits hereunder are and shall be at all times subject to and subordinate to the lien of a first mortgage and accompanying documents executed by the Corporation under date of _____, (or to be executed by the Corporation) payable to _____ in the principal sum of \$ _____ with interest at _____ per annum, and insured or to be insured under the provisions of the National Housing Act, and to any and all modifications; extensions and renewals thereof and to any mortgage or deed of trust made in replacement thereof and to any mortgage or deed of trust which may at any time hereafter be placed on the property of the Corporation or any part thereof. The Member hereby agrees to execute, at the Corporation's request and expense any instrument which the Corporation or any lender may deem necessary or desirable to effect the subordination of this agreement to any such mortgage or deed of trust and the Member hereby appoints the Corporation and each and every officer thereof, and any future officer, his irrevocable attorney-in-fact during the term hereof to execute any such instrument on behalf of the Member. The Member does hereby expressly waive any and all notices of default and notices of foreclosure of said mortgage which may be required by law.

In the event a waiver of such notices is not legally valid, the Member does hereby constitute the Corporation his agent to receive and accept such notices on the Member's behalf.

ARTICLE 18. LATE CHARGES AND OTHER COSTS IN CASE OF DEFAULT

The Member covenants and agrees that, in addition to the other sums that have become or will become due, pursuant to the terms of this Agreement, the Member shall pay to the Corporation a late charge in the amount to be determined from time to time by the Board of Directors for each payment of Carrying Charges, or part thereof, more than 10 days in arrears.

If a Member defaults in making a payment of Carrying Charges or in the performance or observance of any provision of this Agreement, and the Corporation has obtained the services of any attorney with respect to the defaults involved, the Member covenants and agrees to pay to the Corporation any costs or fees involved, including reasonable attorney's fees, notwithstanding the fact that a suit has not been

instituted. In case a suit is instituted, the Member shall also pay the costs of the suit, in addition to other aforesaid costs and fees.

ARTICLE 19. NOTICES

Whenever the provisions of law or the By-Laws of the Corporation or this Agreement require notice to be given to either party hereto, any notice by the Corporation to the Member shall be deemed to have been given, and any demand by the Corporation upon the Member shall be deemed to have been duly made if the same is delivered to the Member at his unit or to the Member's last known address, and any notice or demand of the Member to the Corporation shall be deemed to have been duly given if delivered to an officer of the Corporation. Such notice may also be given by depositing name in the United States mails addressed to the Member as shown in the books of the Corporation, or to the President of the Corporation, as the case may be, and the time of mailing shall be deemed to be the time of giving of such notice.

ARTICLE 20. ORAL REPRESENTATION NOT BINDING

No representation other than those contained in this agreement, the Charter and the By-Laws of the Corporation shall be binding upon the Corporation.

ARTICLE 21. RENT SUPPLEMENT *(Insert only in cases involving Rent Supplements)*

The Corporation has entered into a Rent Supplement Contract with the Secretary which provides that the Secretary will pay a portion of the rent on behalf of qualified members. Pursuant to said Contract, the Secretary has approved the monthly Carrying Charge specified in Article I for the unit and has determined that the member is eligible for rent supplement payments in the amount of \$ _____ per month. In addition to the conditions recited above, the member agrees that the following special conditions shall be applicable so long as receives the benefit of rent supplement payments.

- (a) Of the monthly Carrying Charge, Member agrees to pay, as Member's share, the sum of \$ _____ being the difference between the monthly Carrying Charge and the amount of monthly rent supplement payment to be made by the Secretary pursuant to the Rent Supplement Contract.
- (b) Member agrees in the event the amount of monthly rent supplement payment is adjusted by the Secretary to reflect income change of the Member to pay in lieu of the amount specified in the preceding paragraph, the difference between the monthly Carrying Charge and the adjusted amount of rent supplement payment. The Corporation agrees to give written notice to Member, by an addendum to be made a part of this Agreement, immediately upon such adjustment made by the Secretary, stating the new amount the Member will be required to pay as Member's share of the monthly Carrying Charges.
- (c) Member agrees that the family income, family composition and other eligibility requirements shall be deemed substantial and material obligation of his occupancy with respect to the amount of rent supplement benefits for which

Member is eligible and in determining Member's share of the monthly Carrying Charges.

- (d) Member agrees to comply promptly will requests by the Corporation or the Secretary for information and certifications concerning the total current family income of the Member, the composition of Member's family and other requirements for occupancy.
- (e) Member agrees to report immediately if his income increase to or it more than \$_____ (this amount is equal to four times than the basic monthly Carrying Charge for the unit.)
- (f) Members, except in the case of members who are 62 years of age or older, agrees that a recertification of income shall be made to the Secretary each year from the date of the original certification by the Secretary
- (g) Member understands the rent supplement payment and Member's share of the monthly Carrying Charge in subject to adjustment to reflect income changes and agrees to be bound by such adjustment.
- (h) Corporation and Member understands that, where by reason of an increase in come, Member is no longer entitled to rent supplement benefits. Member may continue to occupy the unit by paying increased monthly Carrying Charges established by the Corporation with the approval of the Secretary.
- (i) Member agrees to reimburse the Secretary for any excess rent supplement payments made by the Secretary during any period when an appropriate adjustment or termination of payments was not made.
 - (1) Because of member's failure to report an increase in income to the Corporation as required by paragraph (e) above,
 - (2) Because of Members' misrepresentation of statements made in Member's application for rent supplement payments, recertification of income or any other information furnished to the Corporation or Secretary, or
 - (3) Because of Member's failure to supply information requested by the Corporation or Secretary

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed and sealed the day and year first above written.

Corporation

By _____ (SEAL)

Member and Stockholder

TO BE DULY ACKNOWLEDGED

References

Alterplan. 1999. *Documentation of Course 1: Organizing for Cooperative Housing*. Alterplan, NATCCO, and VICTO, PRCC, Banihad, Dumaguete City, November 22-27.

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_____. 2000. *Documentation of Technical Training on Construction, Financial and Estate Management for Housing Cooperatives*. Cooperative Housing Foundation and National Housing Authority, Lauremar Beach Resort, Cagayan de Oro City, October 18-20.

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_____. *Homesteaders Handbook, Vol. 3: A Guide to Tenant Selection, Eviction, and Good Relations.*

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CHF International serves as a catalyst for long-lasting positive change in low and moderate income communities around the world, helping to improve their housing, economic circumstances, and environments. It works with a wide range of organizations to develop systems, policies, and practices that increase access to affordable housing, community services and finance. It believes that safe and affordable housing is the foundation upon which families can build a livelihood, a healthy community, and a peaceful, democratic society.

In the Philippines, CHF is working with the National Housing Authority to promote cooperative housing. It also provides technical assistance to 3 pilot cooperatives whose housing projects are already under construction.

