Understanding Cooperatives

and their impact on communities and quality of life

The sky's the limit on the potential to work as one to meet a need

University of the District of Columbia

Cooperative Extension Services-Center for Cooperatives

4200 Connecticut Avenue N.W. 20008

Cooperatives working for Washington, DC

Community Outreach and Extension Services (COES) provides a wide range of research, education and training programs which are intended to improve the quality of life for the residents of the District of Columbia. As the city's urban land-grant institution of higher education, our programs meet the diverse needs of our population.

COES houses two of the major components of the land-grant system: the Agricultural Experiment Station (AES) which conducts research, investigations and experiments to address issues germane to the District of Columbia; and the Cooperative Extension Service (CES) which is responsible for disseminating information assembled from the Experiment Station as well as providing an array of community demonstrations and educational and training programs to the residents of the District of Columbia. We are linked in a unique partnership with the nationwide Cooperative State Research, Education, and Extension Service of the United States Department of Agriculture and the District of Columbia Government.

Dr. Gloria Wyche-Moore, Ph.D., Acting Dean, Community Outreach and Extension Services

The Water Resources Research Institute (WRRI) focuses on water management research and training future scientists in finding solutions to state and regional water problems

COES also has strong mechanisms through its Continuing Education (CE), Office of Apprenticeship, Technical and Industrial Trades (OATIT) and Workforce Development (WD) programs which provide training, opportunities for professional development, preparation of individuals for the workforce and the promotion of life-long learning.

Cooperative Extension Service William W Hare, Acting Associate

The District of Columbia Cooperative Extension Service (CES) is a district-wide informal education system within Community Outreach and Extension Service (COES). As an outreach program of the University, the CES educational system works directly with District residents using the land-grant system's research and experience to help solve individual and community problems. CES educates District residents through free and fee-based, non-credit education classes, workshops, demonstrations and provides technical assistance and informational materials such as brochures, fact sheets, bulletins, and newsletters in five major program areas and one center.

Center for Nutrition, Diet, and Health has an overall goal to enhance the nutrition, diet, health and total well-being of both individuals and families within the District of Columbia through research and education.

Community Resource and Economic Development Unit offers programs to improve the welfare and economic well-being of District residents through improved business, career, co-op and economic development practices

Environment and Natural Resources Unit provides programs for DC residents for a greater harmony with the environment and continuing professional education to meet licensing and certification requirements for pesticide applicators, water quality technicians, and horticulturists

Family and Consumer Sciences has an overall goal to increase awareness in the areas of consumer related fields, literacy, nutrition and health

Housing Environment Program disseminates information and provides training/workshops to District residents to improve their skills and knowledge in home repair and air quality.

4-H and Youth Development establishes school and community based 4-H clubs as well as implements programs to assist young people discover and develop their leadership abilities and foster confidence in those abilities to become successful in life.

The Cooperative Extension Service relies upon advisory councils, volunteers, and program participants to assist extension specialists and agents with identifying and implementing programs that meet the interests and needs of the people. Volunteers from the community, trained in specific extension program areas, work in conjunction with extension staff to deliver programs throughout the District of Columbia.

Brief Introduction

Mr. Gordon A. White, Extension Specialist/Head, Center for Cooperatives

In March 2001, I was given the opportunity to continue the legacy of C.H. Kirkman, Jr. through the Center for Cooperatives in the Cooperative Extension Service at the University of the District of Columbia. I was pleased to accept this opportunity because my own life's training and experiences closely mirrors the historical goals and objectives of C.H. Kirkman, Jr.

Through collaboration in 1994, that included the DC Government, the National Co-op bank, Local Initiatives Support Corporation, National Cooperative Business Association, National Association of Housing Cooperatives and ten other major groups, Mr. Kirkman assisted in establishing a Center for Cooperative structure at the University of the District of Columbia

Mr. Kirkman, a 31-year Veteran Agricultural Specialist with the United States Department of Agriculture spent his early career bringing cooperative innovation, training and service to communities stretching from Beaufort to Sylva, North Carolina. To further the aims of the Center for Cooperatives, Mr. C.H. Kirkman, Jr. and his wife Eugenia K. Kirkman established an endowment, donated a collection of invaluable books and associated materials and established a Cooperative Resource Library. On April 8th 2002 the University and the City dedicated the C.H. Kirkman, Jr. Resource Library for Cooperatives, which has the distinction of being the first on the East Coast, third in the nation and the first at an Urban Land –Grant Institution. Co-ops are a significant part of the District's landscape, second only to New York City in the number total individuals associated co-ops.

As a community economic development engine, the purpose of the Center and the Resource Library is to facilitate the revitalization and stabilization of low to moderate income neighborhoods, commercial and industrial areas in the District of Columbia through cooperative education/training and the provision of critical resource information and technical services. The information presented in this document was structured to support these goals and objectives. The Community Resource and Economic Development Unit (CRED) looks forward to the Challenges and opportunities ahead in raising and servicing the growing consciousness of co-ops in the Washington, DC.

Table of Contents

Understanding Cooperatives

Understanding Cooperatives is the Official Publication of the Cooperative Extensive Services of the University of the District of Columbia

The Cooperative Extensive Services of the University of the District of Columbia
4300 Connecticut Avenue
Washington, DC 20032
Telephone (202) 274-7126
www.coop.com

Staff

Gordon White,
Head of Cooperative Extensive Services (CES)

Dr. Calvin Lewis,
Education Process Consultant and Producer/Editor

Raven White, Producer/Layout design

Contributing Articles

United States Department of Agriculture Cooperative Services

Clark Harrison. Kirkman Jr., a retired 31-year veteran Agricultural Specialist with the US Department of Agriculture

William Taylor, esquire, the 1st president of the 519-unit River Park Mutual Homes

What is a Cooperative?

Reaching the sky

“A cooperative is a voluntary contractual organization of persons having a mutual ownership interest in providing themselves needed services on a non-profit basis. It is usually organized as a legal entity to accomplish an economic objective through joint participation of its members. In a cooperative the investment and occupational risks, benefits gained or losses incurred are shared equitably by its members in proportion to their use of the cooperative services. A cooperative is democratically controlled by its members on the basis of their status as member-users and not as investors in the capitol structure of the cooperatives” (Savage & Volkin)

Members make CO-OPS Work

A cooperative is a distinct form of business recognized as part of our private enterprise system. A brief yet general definition is: A cooperative is a user-owned and democrati-cally controlled business from which benefits are received in proportion to use.

Users of a cooperative have been called "members," historically. Other terms include mem-ber-owner, member-patron, or stockholder. However, the latter term can confuse their unique role with that of a stockholder of an investor-oriented stock corporation. The only definition common to both is that the holder of stock has evidence of a capital investment in the organi-zation. The fundamental and major difference is that benefits in a cooperative are distributed on the basis of use of the cooperative's services rather than on the amount of stock held.

Members of a cooperative can be individuals, businesses, or other organizations. The basic requirement necessary to draw them together is a mutual interest that can be fulfilled by joining in a cooperative enterprise. In some cooperatives, however, a member must meet the legal requirements for membership as described in the cooperative's bylaws, State statutes, and cer-tain Federal laws. For example, a member of an agricultural cooperative must be a producer, and in some cases the producer of a specific commodity such as citrus fruit or cranberries.

A cooperative's basic purpose is to fulfill the needs of its members. They are the owners. They must tell the cooperative what needs must be fulfilled, and tell the cooperative when those needs change. They must provide enough financing so the cooperative can meet their needs. They make certain, through elected and hired representatives, that the cooperative has the right management, personnel, facilities, and equipment. And, finally, members must do the most important thing for the cooperative to achieve its purpose-they must use it.

Summed up, members make co-ops work, by exercising their responsibilities of ownership, control, financing, and patronage.

Free enterprise is an economic system that provides

The American System of Business

........The system allows for the privilege of individual ownership of property and the means of production. The key ingredient of the free enterprise system is the right of individuals to make their own choices in the purchase of goods, the selling of their products and their labor, and their partici-pation in business structure.

Our business system is based upon four basic principles:

(1) freedom of choice;
(2) private property rights;
(3) profit motive of owners; and
(4) owner control.

In the United States, there are three basic types of business firms - individual-ly owned, partnerships, and corporations.

Individually Owned Businesses

The individually owned business is the oldest and most com-mon form. In it, one person owns, controls, and conducts the business.

Characteristics of individually owned busi-nesses include:

- The owner is responsible for manage-ment, makes all the major operational decisions, and sets the business policies.
- The owner supplies or borrows the cap-ital, is responsible for all debts, and receives all the profit earned.
- No special legal formalities are required to form an individu-ally owned enterprise. Where there are legal require-ments, they usually consist of the purchase of a business permit and pay-ment of local license fees.
- The life of the individually owned busi-ness is tied to the one owner. It continues until the owner sells the business, retires, or dies.

The individually owned business is more dominant in farm-ing than in any other segment of the economy. Service stations, restaurants, flower shops, and dry cleaners are other examples.

Individually Owned Business

There are three basic types of business firms in the United States-individually owned, partnerships, and corporations.

Partnerships

William Busr, III Loan & Technical Assistance Officer

economic decisions, free of government constraints, individuals the opportunity to make their own

Timothy Flannagan, Program/Technical Assistance Officer
Washington Area Investment Fund

Partnerships consist of two or more peo-ple who jointly own, control, and oper-ate a business. The responsibilities of each are based on the partnership agreement. Normally, this is based on the amount of capital each partner invests in the business.

Characteristics of partnerships include:

- Partners must do business legally the same as individuals, but in addition may need legal agreements or contracts to form the partnership.
- Owners are jointly responsible for cap-ital invested or bor-rowed, and for all other debts of the partnership. Usually, each partner is liable up to the value of all the property he or she owns.
- Partners may share management and each is responsible for promises made by the other. They make policy decisions, usually by majority vote. Some agreements provide for senior partners whose votes may carry greater degrees of importance.
- Profits (or losses) are shared by the partners in accordance with the terms of the partnership agreement. Usually this is in propor-tion to the capital invested or work done.
- The life of the partnership as a busi-ness is deter-mined by the partners, but if one dies or wishes to leave the organiza-tion, it must be dissolved and a new part-nership formed.

Other examples include law and accounting firms, insurance and real estate companies, and family mem-bers who frequently form partnerships to operate an auto repair firm, stores, and other businesses.

Corporations

Corporations are divided into two differ-ent types - the investor-oriented and the cooperative.

Investor-Oriented

An investor-oriented corporation is a business that has the right to buy and sell goods and services. It oper-ates as a profit-making enterprise for its investors, who are also referred to as stockholders.

Corporations are legal entities, granted rights by State law. As such, they are author-ized by law to act as a single per-son. In effect, the corporation is con-sid-ered an "artificial" person. Like individuals, the corporation has the right to provide services, own prop-erty, bor-row money, enter into con-tracts, and be held liable.

Dr. Talmadge Williams,
Partnership Developer

Investor-oriented corporation characteris-tics include:

- An investor-oriented corporation acquires a charter from the State de-scribing the nature of the business and how the affairs of the corporation are to be conducted.
- Capital for investor-oriented corpo-rations is provided by selling shares of stock to investors for its profit-making potential, by sales of bonds, and/or bor-rowing from lending in-

and as private profit-potential businesses........

stitutions. Corpo-rations are responsible for debts to the extent of their property and assets. If the business fails, each owner of stock can lose only the amount he/she has invested. The corporation, not the stockholders, is liable for all of its debts and other obligations.

- Management is controlled by a board of directors and officers who are elected in accordance with the charter. Each stockholder has as many votes in these elections as the number of shares of vot-ing stock he/she owns. Business decisions and policy are made by the board and officers.

- Profits are divided among the stock-holders as dividends according to the number of shares of stock owned or are used to expand the business as decided by the board of directors.

- A corporation enjoys a continuing existence, regardless of the death, entrance, or exit of one or more of its owners. Its life is either permanent or as outlined by the articles of incorporation.

Examples of investor-oriented corpora-tions are large department stores, chain grocery stores, banks, automobile manu-facturers, and much of the communica-tions industry.

Cooperative

A cooperative corporation is also a State-chartered business, organized and operating under its laws. The coopera-tive, though, is owned and controlled by those who use its products and

Delegates to the Tri State Conference on Time Share and Cooperatives discussing Synergistic Objectives of Time Share and Cooperatives

services, and net income goes back to the member-owners in proportion to the use each makes of the business.

Characteristics of cooperative corporations include:

- The purpose of a user-owner coopera-tive business is to provide economic ben-efits to its members rather than to generate a return on investment.

- Capital for a cooperative comes from the members, rather than outside investors. It is obtained by direct contri-butions through membership fees or sale of stock, by agreement with members to withhold a portion of net income based on patronage, or through assessments on some regular basis such as per unit of product sold or purchased.

- If the cooperative should fail, member -owners have limited liability, meaning they are not obligated beyond investments they have made in the coop-erative.

- Management of a cooperative consists of four groups of people - members (owners), board of directors (elected), the manager (hired), and other employees (paid). Each group has its distinct duties and responsibilities for performing man-agement functions in a cooperative. For example, the members elect from amongst themselves a board of directors to direct the business activities of the cooperative; the board of directors employs the manager and establishes operating policies; the manager oversees detailed operations of the co-operative within policies established by the board; and employees, as representatives of the cooperative, must understand the rela-tionship of the business to the member--owners.

- Profits (or losses) in a cooperative dif-fer from investor-oriented corporations in how they are distributed and to whom they go. Money left over at the close of the business year, after meeting all expenses and requirements there may be for reserves, is returned to members in cash or other forms, according to the amount of business done with the coop-erative that year.

Delegates to the TriState Conference

- Each member usually has only one vote, no matter how many shares of stock he/she may own. (Some States do allow voting in propor-tion to patronage/the amount of business done.)

Cooperative examples are agricultural market-ing, purchasing, and service orga-nizations, credit unions, health care, news services, and many oth-ers.

Conclusion

The primary difference between coopera-tives and other types of businesses is the objective. A cooperative seeks economic benefits for its mem-bers from services provided at a reduction of costs, increasing members' income, improving quality, and developing the best use of the members' re-sources.

While the investor-oriented corporations' pri-mary objective is to make a profit for its investors, cooperatives exist to meet members' needs eco-nomically and efficiently. Looking at who receives the net income (profit) in each form of business makes the difference between them evi-dent. In an individually owned business, it is the owner; in a partnership, the partners; in an investor-oriented corporation, the stockholder; and in cooperatives, the member-owners.

The Real Bottom Line

Cooperatives are not solu-tions in and of them-selves. They are a means for people to achieve an honest day's income for an honest day's work or to meet other so-cial and economic needs. To suc-ceed, they require capital, commitment, pa-tience, and a membership willing to work together even if it means giving up a little individuality in the process. But the rewards - respect, a higher income, new friends and acquaint-ances, the satis-faction of having solved problems - are well worth the effort.

Cooperative structure can be classified into five types as follows: geographic, governance, functions, financial, and other arrangements. Each will be define and discussed in this resource guild.

THE STRUCTURE OF COOPERATIVES

Cooperatives exist in nearly every business sector and are organized in a variety of ways. Like other businesses in our economy, they range in size from organizations with only a few member-owners to massive and complex organizations with thou-sands of member-owners. The way a cooperative is organized determines how it is operated, managed, and controlled by its members, and the types of bene-fits offered.

Geographic Territory Served

Cooperatives can differ in structure, depending on the size of the area served: local, super local, regional, interregional or national, and international.

Local cooperatives operate in a relative-ly small geographic area, typically within a radius of 10 to 30 miles. Individuals are the members of these local cooperatives.

Super local cooperatives operate over two or more counties, with several branch facilities.

A regional cooperative usually serves an area comprising a number of counties, an entire State, or a number of States.

Interregional or national cooperatives are organized, owned, and controlled by regional cooperatives, usually to provide specific services. They may serve a major portion or virtually all of the United States.

International cooperatives operate on an international basis, with headquarters in the United States or other countries.

Governance or Control Structures

Based on membership structure, coop-er-atives can be classified as centralized, federated, or mixed.

A local cooperative is a centralized cooperative - individual producers make up the membership. A centralized region-al may serve members in a large geographical area, such as a major por-tion of all of an entire State or all or parts of several States. A centralized regional has one central office, one board of direc-tors, and a manager (chief executive offi-cer) who supervises the entire operations, which may be conducted through several or many branch offices.

A federated cooperative is a coopera-tive of cooperatives. The members of a federated cooperative are local coopera-tives, operated by a manager hired by and responsible to local boards of directors. Each local association in a federated coop-erative is a separate business entity that owns a membership share entitling it to voting rights in the affairs of the regional.

The federated cooperative has its own hired management and staff, and a board of directors elected by and representing the local associations.

A mixed cooperative is a combination of the two - their members may be individual producers as well as local cooperatives.

Functions Performed

Cooperatives may perform one or more of these functions for members:

- marketing products,
- purchasing supplies, and
- providing services.

Marketing

The need to meet consumer demands and expand markets for products presents an increasing problem. For example, let us take an urban view of the farming industry. Few farmers produce in quantities needed to deal directly with large wholesalers or retailers. The marketing co-operatives as quan-tity assemblers provide an increasing variety of off-farm processing and mar-keting services for about one-fourth of all products that farmers produce.

Marketing cooperatives help farmers produce and process quality products to market specification. Cooperative market-ing includes the operation of grain eleva-tors, milk plants, wool pools, cotton gins, livestock markets, vegetable markets, and fruit packing plants. Some marketing cooperatives include the coordination of processing, canning, drying, blending, concentrating, extracting, freezing, or consumer packaging of animal and ani-mal products, such as dairy, fish, meat, and poultry and the same for fruit, nut, and vegetable products, and many other products in integrated organizations.

Marketing cooperatives enable farmer -members to extend control of their prod-ucts as long as the cooperative retains physical or legal title to a commodity handled through processing, distribution, and sale.

Some marketing cooperatives also can be called bargaining associations, which may not handle the actual product but rather act as the selling agent on behalf of the member.

Purchasing

Farmers first turned to cooperatives as economic tools to gain advantage of quality and quantity of farm production supplies such as feed, fuel, fertilizer, and seed. These early efforts often became businesses having full-time managers and warehouses to handle other production supplies and services such as farm chemicals, animal health products, fencing, building supplies, construction contracting, automotive accessories, etc.

The proliferation of theses small businesses are often based in urban areas and assisted by cooperative extension services/economic development. Most cooperatives have affiliated with other cooperatives, often through region-al and interregional cooperatives. These efforts reduce farmer costs and strength-en purchasing power through owning large-scale facilities such as petroleum refineries; phosphate, potash, and nitro-gen manufacturing plants; feed mills; research farms; and laboratories.

One of a purchasing cooperative's objectives is to reduce production costs for members through quantity purchas-ing, manufacturing, and distributing, procuring quality products, and providing related services as needed. Distribution to producer members is a major concern at the local level because added services are needed. Another objective is to pro-vide a dependable supply of quality prod-ucts for members.

Many cooperatives now perform both marketing and purchasing functions, although they started as single-function organizations.

Service

Agricultural service cooperatives provide services related to the production and marketing of farm commodities, or they may provide general services.

Related service cooperatives offer unlimited possibilities and are used in ever-widening circles to solve mutual problems and provide specialized services that affect the location, form, or quality of farm products or supplies for members. Services may be part of the operation, or they may be performed by separate cooperatives. Examples of ser-vices related to handling farm supplies are recommending and applying fertilizer, lime, or pesticides; animal feed process-ing; and crop harvesting. General service cooperatives provide a number of spe-cialized services assisting farmers in their business such as credit, electricity, and telephone service.

Financial

Cooperatives are incorporated as either stock or nonstock organizations. The type of capital structure is specified in the arti-cles of incorporation.

If the association is a capital *stock* organization, members receive stock cer-tificates as evidence of their ownership interest. More than one type of stock may be issued, but usually no more than two types are necessary. Most stock coopera-tives issue one share of common stock per member to show membership. Pre-ferred stock is issued to show additional capital contributions. (Common stock is usually the voting stock; preferred stock is generally nonvoting.)

If the association is a *nonstock* organi-zation, it issues some kind of certificate to show capital contributions of members. Two types are usually used - a member-ship certificate as written proof of the right to vote and capital certificates in a manner similar to the way stock coopera-tives use preferred stock.

Other Structural Arrangements

Subsidiary

A corporation organized, owned, and controlled either totally or partially by a parent cooperative. Its purpose is to assume certain duties and functions of the parent cooperative.

Marketing Agency-in-Common

Organized by two or more marketing cooperatives to market products or pro-vide services for member cooperatives. It does not physically handle products, and it generally does not take title to them. Its sole responsibility is to arrange for the sale of its members' products.

Joint Venture

An association of two or more participants, persons, partnerships, cor-porations, or cooperatives to carry on a specific economic op-

Gordon White
Cooperative
Extensive Services
and
William P. Berens
Chief Executive Officer
Hospitality Community
Federal Credit Union

NATIONAL ASSOCIATION OF HOUSING COOPERATIVES

Left to Right: Doug Kleine, CEO, Roberta Walker, Office Manager, Reginal Beckham, Director, Marketing and Membership, & Gordon White, Cooperative Extensive Services

eration, enterprise, or venture. The identities of these partici-pants remain separate from their owner-ship or participation in the venture.

Holding Company

A corporate entity with a controlling ow-n-ership in one or more operating compa-nies. The degree of owner-ship can vary widely, as long as the holding company can exercise control through the op-erat-ing company's board of directors. Usually the holding company generates no rev-enues from opera-tions; income is limited to returns from invest-ments in the operat-ing companies.

Contract Agent

A county or commu-nity cooperative may or-ganize, owning nothing but contracts and paying only the money to hire an agent to handle the goods and keep patronage re-cords. The cooperative then pays patronage re-funds on the basis of the agent's records.

Private Dealers

The dealer, as a fran-chise, keeps records. If the franchiser cooperative makes money and pays patronage refunds, these go to the dealer's cus-tomers and the dealer is paid a commission on sales.

Conclusion

Cooperatives are classified as a way to easily identify the nature of the business. The classifications do not mean that one type may necessarily be better or worse than another. It simply means that there are distinguishing differ-ences among the types, and shows the wide vari-ety of cooperatives and the differences in their operations, manage-ment, control, etc.

What is important for cooperative members to understand about co-operative structure and their own organization is:

- what type of coop-erative it is;
- how it is structured; and
- how the cooperative, whatever classifi-cation it might be, can be most effec-tively used by its members for serving their needs and achiev-ing objectives.

HOW TO START A COOP

When Should a Cooperative be Organized?

Cooperatives are formed in response to an economic need such as provid-ing marketing, processing, bargaining, manufacturing, and purchasing services not currently available, or available only at excessive cost.

If interested in forming a cooperative, learn all you can about the legal, eco-nomic, and financial aspects of a coop-erative business. Careful planning increases the chances of success.

Why Groups Organize Cooperatives:

- To improve bargaining power.
- To reduce costs.
- To obtain products or services.
- To create new and expand existing market opportunities.
- To improve the qualities of the products or services.
- To increase income.

Steps in Organizing

Determine the Economic Need

A cooperative is organized in response to a specific problem or opportunity. The idea is often initiated by a small group that meets to discuss the need. The meeting should focus on the eco-nomic need and the potential use of a cooperative as a solution.

Discussion topics should include:

- What information about the perceived need is readily available?
- Could a cooperative effort address this need?
- What information about cooperatives is available?
- Who can serve as an adviser to the group? (UDC/CES)
- Who should be invited to a meeting of potential users?
- How should potential users be con-tacted?

Hold Initial Exploratory Meeting

A meeting of potential member-users should be called to decide if interest is sufficient to support a cooperative. The meeting date, time, and place should be publicized in advance. The leader-ship group should select a chairperson to conduct a meeting and develop an agenda.

These items should be discussed:

- What is the problem.
- Possible solutions.
- Cooperative principles and terms.
- Advantages and disadvantages of a cooperative.
- What financial and other commitments are expected of user-members.
- Cooperative organization and feasi-bility analysis process.
- Allow time for potential members to ask questions. If the group votes to continue with more detailed study, a steering committee should be selected.

Select a Steering Committee

Steering committee members should have an interest in the cooperative and sound business judgment. They often become the co-operative's incorporators and may serve as its first board of directors.

The committee has a two-part job:

- Deciding the feasibility of the coop-erative: Will the proposed cooperative succeed? Will it be valuable to mem-bers?
- Preparing a specific, detailed busi-ness plan for the proposed cooperative.
- UDC/CES is an experienced cooperative facilitator and would be a significant asset to systematic development

The commit-tee should con-sult spe-cial-ists in the areas of law, finance, and coopera-tive business operations. Two essential studies must be initiated: a member survey and a market analysis or supply analysis.

Member participation in decision-making activities and sense of coopera-tive spirit are important for success.

Conduct a Member Survey and Market or Supply Analysis.

The steering committee must take steps to learn all it can about the coop-era-tive's potential members and what the coopera-tive can do for them. The survey should explore four areas:

- Members' needs-The cooperative is formed and operated for the sole pur-pose of meeting members' needs.
- *Anticipated business volume* The cooperative must have some assurance of sufficient volume to operate as a business and to plan for facilities and needed equipment.
- *Location and business or service characteristics of prospective* members-Where, how, and when the cooperative delivers its services is a prime con-sideration.
- *Opinions of members-How* do potential members feel about coopera-tives and participation in one? Member participation in decision-making ac-tivi-ties and sense of cooperative spirit are im-portant for success.

The market or supply analysis will determine if the proposed coopera tive has an economic role in the marketplace. The analysis will identify which activities are appropriate, busi-ness volume, and financial capabilities of the potential coop-erative mem-bers.

Second Exploratory Meeting

The exploratory meeting reviews results of the member survey and the market/ supply analysis. Based on the information presented, the participants vote to either continue or abandon the project. If they continue, the next step into prepare a business plan and draft legal documents.

Potential members may be asked to invest earnest money at this point to demonstrate their commitment to the cooperative and to cover some of the organizational costs.

Prepare a Business Plan

Every business should have a business plan. The steering committee should arrange for completion of an in-depth business plan prepared by a professional familiar with cooperative organization. The plan defines the cooperative's operations and other structural issues before the cooperative organization is finalized.

Draft Legal Papers and Incorporate;

The articles of incorporation state the purpose and scope of the cooperative business and give the coop-erative a distinct legal standing.

The bylaws state how the coopera-tive will conduct business and must be consistent with both State stat-utes and the articles of incorporation. Legal counsel should be consulted on these and other legal docu-ments, such as membership or marketing agreements.

Third Exploratory Member Meeting

At the third exploratory meeting, potential members review the work and recommendations of the steering committee, including the articles of incorporation, by-laws, and any adjust-ments made to the business plan. Support for the cooperative should again be evaluated by a vote on whether or not to form the cooperative. If affirma-tive, the incorporators file the articles of incorporation.

First Annual Meeting of Coopera-tive

At the first meeting of the coop-erative, members carry out two very im-portant member responsibilities:

- Approve the bylaws.
- Elect the board of directors. Steering committee members are often board candidates, but other mem-bers may also be elected to these lead-ership positions.

First Board of Directors Meeting

The first meeting of the board of directors should focus on selection of the board officers, committee ap-pointments, and carrying out the business plan. Addi-tional agenda items include arranging debt capital, conduct-ing a membership drive, establishing manager qualifications, and conducting a manager search.

Acquire Capital

The board of directors is responsible for arranging adequate capital. Capital may be raised by members purchasing stock (equity) and borrowing funds (debt) from a lending institution. Members must invest or pledge sufficient capital in the business to demonstrate commit-ment to the cooperative's success. Exact amounts will depend on activity and lender require-ments. Projected cash-flow schedules and financial

If a cooperative seems to
meeting of interested poten

Karl Johnson, Manager,
15th Street Cooperative

Board of Directors-COVII discussing Cooperatives in the Time Share Community

state-ments from the business plan are important in determining capital needs and arranging for debt capi-tal.

offer a solution, a larger tial users may be planned.

Hire a Manager

One of the most important duties of the board of directors is to hire a qualified manager who is respon-sible for day-to-day operations.

Hire Employees, Acquire Facilities, Begin Opera-tions

The manager hires capable employees and advises the board on what facilities and equipment to acquire, within the budget and operation guidelines estab-lished by the board.

Important Factors for Cooperative Success

Experience shows that a newly organized coopera-tive's chances for success can be improved by doing the following:

- Clearly identifying the economic need.
- Reaching agreement on the coopera-tive's mis-sion.
- Developing good leadership.
- Gaining the commitment of members to do busi-ness with the cooperative.
- Following sound business practices.

Summary

A cooperative is a unique form of busi-ness used by people and businesses for their mutual benefit. What-ever its purpose, starting a cooperative requires consid-erable time, energy, and commitment by potential mem-bers to finance and use the business and select knowl-edgeable directors who will hire a competent manager.

Where to Get Help

The U.S. Department of Agriculture's Rural Eco-nomic and Community Devel-opment (RECD) offices in some States have cooperative development spe-cial-ists on staff who an help you.

Also, in Washington, DC UDC/CES and staff of pro-fessionals c an help organize a new cooperative and provide technical assistance to existing cooperatives.

Financing

All businesses, including cooperatives, need financing. A cooper-ative uses capital to finance its operations, to cover operating expenses, and to invest in fixed assets such as buildings and equipment. Capital comes in two forms: equity and debt.

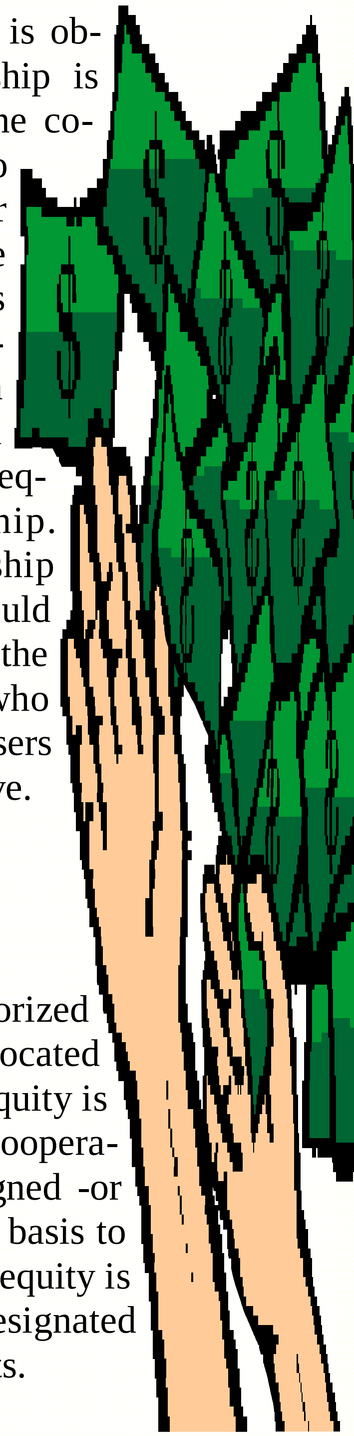
Equity capital is the ownership capital in a cooperative. It is provided by members in various forms. Debt capital is money that is borrowed, on either a short- or long-term basis. Having adequate equity and debt capital available to finance the business is essential if the cooperative is going to competitively serve its members.

> The cooperative's board of directors may decide to redeem or repay a portion of equity capital to members.

Equity Capital

Equity capital is money the cooperative obtains from its members without assuming a legal obligation to pay it back at a stated time. This is the opposite of debt capital, which always has a due date. Equity capital is the "risk" capital in an organization. All or part of it can be lost if operations are not profitable.

The way equity capital is obtained from the membership is important in measur-ing the cooperative's adherence to coop-erative principles. For example, authority over the cooperative's activities shout reside with the membership through voting control represented by equity ownership. Also, ownership and control should be held by the membership who are cur-rent users of the cooperative.



Equity Capital Sources

Equity capital is categorized in two ways. It is either allocated or unallocated. Allocated equity is capital recorded on the cooperative's books which is assigned -or allocated-on a proportional basis to each member. Unallocated equity is capi-tal not assigned or designated to specific member accounts.

Cooperatives

Cooperatives obtain equity capital from members in three basic ways- through direct investment, by retaining a portion of net income, or by retaining a portion of proceeds from the sale of members' farm products as per-unit capital retains.

Direct Investment of equity is usually obtained through purchase of common or preferred stock. Common stock is an important source of initial member investment and normally carries voting rights. Preferred stock is a second source of initial equity capital. It is called preferred stock because it has preference over common stock during liquidation. It may be purchased by members or nonmembers, often pays a dividend, but is generally nonvoting. Equity acquired through direct investment is always allocated.

> Having adequate equity and debt capital available to finance the business is essential if the cooperative is going to competitively serve its members.

Other types of direct investment are membership fees, membership certificates, and capital certificates. These represent forms of direct investments by members in nonstock types of cooperatives.

Retained Net Income represents proceeds from net earnings (net margins) retained in the business to provide equity capital. Part of a cooperative's net income, usually at least 20 percent, is customarily paid to members in cash, with the remainder held as retained patronage refunds. These refunds are accumulated until sufficient capital is available to finance facilities and operations. When that level is reached, the cooperative's board of directors may decide to redeem or repay a portion of equity capital to members.

Some cooperatives retain a portion of their income as unallocated reserves to serve as a cushion for allocated equity if there is an operating loss. Unallocated equity is usually paid to members only in cases where the cooperative is being dissolved.

Per-unit capital retains are used pri-marily by marketing cooperatives. They are obtained through deductions from sales proceeds. Deductions are calculated on a physical unit basis or as a percent-age of sales value. As with retained patronage dividends, when sufficient equity capital has been accumulated, the board may consider returning a portion of allocated equity capital to members.

Revolving fund financing is what the return of capital is called in a cooperative. The oldest equity capital is repaid first to ensure that current users provide the majority of needed equity financing. The cooperative's board of directors is respon-sible for approving any return of member capital. Its fiduciary responsibility requires that the cooperative be adequately capi-talized before any equity is paid or "redeemed" to members.

A modification of the revolving fund is the base capital plan method of equity financing. Annually, members are required to invest capital in proportion to their use of the cooperative over a "base" period of years. This is the most equitable way for members to provide equity capital, and it always maintains the investment in proportion to use. Cooperatives may use retained patronage refunds, per-unit capital retains, or a combination of both to obtain the required amount of investment from their members. Members who are over-invested in relation to their level of patronage would receive a refund of a portion of their investment. The board of directors determines the needed level of equity capitalization for the cooperative and must approve any return of equity to over-invested members.

Cooperatives obtain equity capital from members in three basic ways-through direct investment, by retaining a portion of net income, or by retaining a portion of proceeds from the sale of members' products as per-unit capital retains.

Debt Capital

Cooperatives use two types of debt capi-tal to finance operations.

Short-term loans are obtained to finance day-to-day operating expenses. The lender expects that funds borrowed on a short-term loan will be repaid in less than a year. These funds supplement the cooperative's own working capital and may be used to pay for raw product deliv-ered by members in a marketing coopera-tive, or to purchase goods for resale in a supply cooperative. These loans are usu-ally repaid from sales proceeds.

Long-term debt is obtained to finance the purchase of fixed assets such as prop-erty, plant, and equipment. Long-term loans are scheduled for repayment in annual installments over the useful life of the asset being acquired. Long-term loans are repaid from net income.

Sources of Borrowed Funds

Cooperatives may borrow from traditional and nontraditional financing sources. Commercial banks are the traditional source for short-term loans. Banks and insurance companies are typical sources of long-term loans.

Cooperatives have the added advantage of obtaining loan funds from specialized banks and other lending insti-tutions established to serve only coopera-tives. These specialized or nontraditional sources include CoBank, public and private agencies that lend to rural electric and telephone utilities, and the National Coop-erative Bank.

Some large cooperatives may also use the services of brokerage firms to obtain borrowed capital through private debt placement or the sale of commercial paper and other financing instruments.

Leasing is another debt financing option available to cooperatives. This method allows a cooperative the use of an asset without tying up its own capital in the acquisition. In addition to leasing companies and commercial banks, coop-eratives have access to companies and banks that provide leasing services to cooperatives. These include the Farm Credit Leasing Service Corporation and the National Cooperative Bank.

Conclusion

Cooperatives finance themselves much like other businesses, through the use of equity and debt capital. The features of cooperative equity capital, however, make cooperative equity financing methods different from those used by non-cooperatives. Cooperative users provide equity capital to finance the cooperative in pro-portion to their use of it. Most coopera-tives also provide a way to return equity to members after a period of time.

These characteristics of cooperative equity capital make it more complex to understand by those not familiar with how cooperatives operate. These features, however, are what make cooper-atives the unique, self-help organizations they are; operating for the benefit of their member-owners.

Cooperatives may borrow from traditional and non-traditional financing sources. Nontraditional sources include, CoBank and The National Cooperative Bank who provide both short and long-term loans.

This article is the second of a two-part series on housing cooperatives in the District of Columbia. The history and development of market-rate co-ops in the nation's capital were outlined in the first article published in the September/ October/ November issue written by William Tayler esquire, the first president of the 519-unit River Park Mutual Homes market-rate co-op. His co-op was financed and built with FHA mortgage insurance under Section 213 of the National Housing Act. This second article focuses on the scores of District of Columbia limited-equity housing co-ops, organized to be affordable for existing tenants.

The third article written by Lester Cuffee, JD-Executive Director DC Coalition for Housing Justice, Inc., illustrates a correlation between (3) factors:

1. Urban Revitalization
2. Gentrification
3. The need for Coops and Technical Assistance

In the Nation's Capitol

The Birth &
Limited Equ

A Co-op's Birth

On December 2, 2000, the Development Corporation of Columbia Heights (DCCH) in Washington gave birth to a new housing co-op in the city's northwest quadrant-1429 Girard Street. The DCCH won a bid for the property under the District of Columbia Homestead Preservation Program. The once vacant, drug-infested building is now home to 19 residents who paid $1,200 each to get into the co-op and can pay as little as $600 monthly for a two-bedroom unit. 1429 Girard Street is the most recent co-op to benefit from a rich, but recent heritage of non-profit and

GROWTH OF
ITY CO-OPS

tenant-sponsored co-ops in Washington, most of which are limited equity.

Washington's Rich Co-op Heritage

Washington, D.C. has the second largest number of co-ops in the country behind New York City, but whereas the mayor of New York lives in Gracie Mansion, the ex-mayor of Washington, Anthony Williams, lives in a co-op in the Foggy Bottom neighborhood. As outlined in the first of these two articles, developer Edmund J. Flynn was the first to organize and sell shares in 60 conventionally financed market-rate co-ops from the 1920s to the 1950s. Many more market-rate co-ops were built or created by conversion of rental buildings since then. The limited equity co-ops in Washington are a newer phenomena and came on the scene with a rush in the midst of a local affordable housing crisis.

By the 1970s, double-digit inflation had fueled rent increases in Washington, and the city council enacted rent control. Many landlords responded to rent control by selling their buildings to condominium converters, causing displacement and worsening the shortage of affordable rental housing. City council responded again with legislation that significantly changed the picture-landlords must give their residents the first right to buy when a sale or change of use of the building is proposed. A strong tenants' movement helped to pass the law. The District of Columbia government added a favorable second mortgage loan pro-gram using mostly federal Community Development Block Grant assistance to help tenants finance conversions. Several non-profit organizations and consultants helped tenants of moderate and low-income rental units exercise their right to buy and go through the process of converting their buildings to co-ops.

Many of the buildings that were purchased through exercise of tenant purchase rights, were converted to limited equity co-ops. There were several reasons why this occurred. Most importantly, limited equity coops were intended to maintain long-term affordability by limited what the next generation of purchasers would have to pay in order to buy into the coop. some loan programs with favorable terms required that property be converted to a limited equity coop as a condition of receiving the financing. Some development consultants required, or at least encouraged, tenant organizations to convert to limited equity coops for the same reasons, in some cases as a condition of receiving no-cost or low-cost technical assistance.

SALE TO TENANTS

In the winter of 1979, Mr. Robert Simon and his neighbors residing in their 474-unit apartment complex in Southeast Washington received a notice from the owner that he was selling the building, and they had to move out. The tenants decided they wanted to buy the building and formed an association making Mr. Simon, who at time was paying $220 in rent for a two-bedroom apartment, the president. The tenant group secured technical assistance from the non-profit Metropolitan Washington Planning and

Housing Association. They organized fundraising events to pay for attorneys and architects. Their association also received monies from the District of Columbia Department of Housing and Community Development's first right to purchase program. It took $2.5 million and two years of work, but in the end the residents acquired ownership of Benning Heights Cooperative (Mr. Simon paid $1,000 to buy into the coop and $385 monthly. Today, new residents can pay $920 to get into a comparable two-bedroom unit and $460 monthly). Benning Heights Coop was one of many large and small conversions with a total of about 4,000 dwelling units in multifamily buildings that have eventually been completed in Washington.

COOPS STRUGGLE TO SURVIVE

Limited equity coops, especially the smaller ones, have not had an easy time of it for a variety of reasons. Rick Eisen, an attorney who has represented tenant group in coop purchases, said that after the initial group of tenants, purchasers looking at buying into the coop had a different mindset and did not see any value in buying into a coop if they could not make a profit. "Those who did buy had trouble thinking of themselves as a coop rather than rental." In some cases, the pool of volunteers for the board has shrunk due to subletting.

Mr. Simon, who is now the contract and loans specialist for the District of Columbia Department of Housing and Community Development, pointed out that the cut back on new vouchers for the U.S. Housing and Urban Development (HUD) Section 8 program caused vacancies, loss of coop income, difficulties in rehabilitation of vacant units, and deferred maintenance. The program subsidized the difference between 25% (later 30%) of the income of a coop member and the monthly charges up to the applicable fair market rent limits.

Michael A. Dinkin, program manager for the Tenant Purchase Program of University Legal Services (ULS), cited other reasons for limited equity coop programs. In the 1980's, Mr. Dinkin said, "Some associations were ready to buy and some weren't, "he said. "I'm not sure we said 'no' enough." In retrospect, he said the ULS would have done some thing differently. "Much tougher on the feasibility end and on making people do for themselves," he said. "The limited equity coop is still an important tool. It's not a prescription for everybody." When working with groups, ULS now looks at condos and at a hybrid market-rate coop.

"Tenants are more sophisticated than they were 20 years ago. They want an investment," said Mr. Simon. "They would rather pay more. Capitalism prevails."

While many will dispute Mr. Simon's view, a successful coop does take a strong sense of leadership, entrepreneurship, and financial acumen. Jim Tahash, former director of the planning and procedures division at HUD, put it this way.

"A successful coop is likely to have several crucial characteristics:

- A leadership that can keep the spirit alive long after the first-generation pioneers have move on;
- A solid financial cushion to protect against unexpected problems; and
- A willingness to increase monthly fees as the costs of running the coop climb."

Tahash's advice will be helpful to mature coops like Benning Heights and to young coops like 1429 Girard Street as they fulfill their missions of providing affordable housing the cooperative way.

INCLUSION STRATEGY
By: Lester Cuffie, JD-Executive Director
DC Coalition for Housing Justice, INC.

“Let me outline a strategy which we feel will greatly impact the downside of Gentrification. Implementation and getting Economic and Political Leadership involved will be key to this movement”, suggested Cuffie.

- Inclusion Zoning Legislation enforced in all city planning relative to housing.
- Impact studies looking specifically at how to maintain diversity in housing and sustaining rather than displacement of residents. (Recognition of African-American sweat equity).
- Rent control should be strengthen, saved, expanded and enforced to meet the needs of affected residents.
- Develop a stronger tenant movement with associated laws to govern equal access.
- Require a certain percentage of affordable housing units in every new public supported development in the city.
- Support stronger funding for the University of DC Cooperative Extension Services (UDC/CES) and its mission for research and education to relative affordable housing, development of housing cooperatives., and home ownership.
- Expand and strengthen the existing partnership/collaboration between UDC/CES and the Coalition for Housing Justice to develop additional housing cooperatives in the District of Columbia.
- Continue to work jointly with UDC/CES and DC Housing Production Trust Fund to build 19,000 affordable units in the city.

Gentrification is an economic/political issue and the solution must include both economic and political leadership. “Effective leadership operating with an inclusion strategy will certainly help low and modern income families remain solvent in communities targeted for redevelopment’, explained Mr Cuffie.

Housing CRISIS & the 2006 D.C. rent control reform act

In accordance with the provision of the D.C. Code 2502, the purpose of the Rent Stabilization Program ("known as Rent Control in the District of Columbia") is to preserve an affordable housing stock for the low and moderate income residents. The law guarantees housing providers a 12 percent rate of return on the assessed value of the property.

Modern day "rent control" in the District began with the enactment of the Home Rule Charter in 1973. In the 1960's and 70's thousands of families in the District were displaced en-masses by the federal government's "Urban Renewal policies." Community activists of that time, called government urban renewal plans "Negro Removal".

Today, this process is called "gentrification." This soci-economic housing displacement phenomenon has created a national and worldwide housing dilemma.

Here in the U.S. this housing problem is manifested by the massive disproportional housing displacement of African-American communities and other working poor neighborhoods. This housing crisis comes after decades of the following housing illnesses: property speculation; bank redlining; hyper-unemployment; the crime and drug scourge of the 1980's; predatory mortgage lending, and the Federal government disinvestment/disengagement in the public housing conditions of the poor.

In Washington, D.C. (Columbia Heights), New York (Harlem), and Atlanta, Ga. (Marietta), the average cost of a home is nearing $500,000. Hence, gentrification is forcing the local indigenous poor and moderate income persons out of once affordable urban housing. This soci-economic stratum of people is being replaced with exorbitant condos and townhouses, along with a younger upwardly affluent rich land gentry class.

The once American dream of homeownership for all, is swiftly becoming a commodity for the few and privilege of our society.

We, Black Americans, have invested our labor and strength in the making and development of America, it's called "sweat equity". This experience has made Washington, D.C. the political/economic superpower "hub" it is today.

Many ethnic groups in America can make the same argument. However, none of these groups have the American experience of slavery, legalized discrimination, (Plessey v. Ferguson 1896), the struggle for equality, and present day institutional racism. Gentrification, in the District threatens historical indigenous black neighborhoods and Black political empowerment, in the name of economic prosperity for the newcomers. (Mayor Fenty, African American elected mayor of Washington DC Sept 2006)

In the early 1980's, the District population was 80 percent African-American (Chocolate City). The year 2000, census revealed a major decline in the black population. One reason given according to the census information is the "high cost of housing". The upcoming September 2006 Mayoral election may see the last election of an African-American mayor for D.C..

One factor that can be traced to the decline in the black population and housing woes is the 1994 Amendment to the Sale and Conversion Act. This amendment is the sister act to the Rent Control law. Until the recent city council action, this law allowed housing providers to sell portions of a building "without" evoking a tenants right to purchase (95/5

WHAT ARE LIMITED EQUITY COOPS?

The concept of limited coops has evolved over the years. The profit form the sale of shares in a limited equity coop is restricted by that coop's bylaws, and in most cases limitations on resale prices are not unreasonable. Outgoing members are usually entitled to a maximum price equal to a return of their initial investment plus a reasonable rate of interest on their investment for the years they occupied their units. Members are also entitled to part or all of the amortization on their transactions). These types of transactions with the affirmation and complicity of the D.C. government agency, Department of Consumer and Regulatory Affairs (DCRA) displaced thousands of the residents. The present vulnerable rent control law and sale conversion law, along with the dysfunctional operation of DCRA are examples of the D.C. City Council and Mayor's office capitulation to the money, and power of the Real Estate industry.

Another factor adding to the displacement issue which reveals the Federal government agenda is the policies of the Department of Housing and Urban Development (HUD) - policies of disinvestment and disengagement from providing decent and affordable housing to low and moderate income citizens vis-a-vis the Section 8 program.

The federal government program subsidizes housing rents for single mothers and the elderly. In the 1990's this program was replaced by vouchers. The voucher program requires its participants to seek affordable housing in a private housing market, where affordable housing is scarce and the cost is increasing.

HUD disengagement policy which translates into "no federal enforcement of housing codes or no oversight of Section 8 property owners, and management companies" locally has resulted in the threatening foreclosure of Temple Court and Serum Cord.

One positive and possible solution to the local housing dilemma vis-a-vis the current rent control laws is the courageous leadership of Councilmember Jim Graham. After almost, a decade of Rent Control Reform agenda being bottled up, and derailed by the real estate representative Councilmember Sharon Ambrose. Councilmember Graham steadfast leadership of the Consumer Regulatory Affairs Committee which has oversight over DCRA has resulted in the passage and signing of the Rent Control Reform Act of 2006 on June 27.

The reform initiative provides for one annual rent increase, based on rent charge which includes the Consumer Price Index (CPI), plus a 2 percent increase on rent charge. The elderly and disable annual increase is limited to the CPI on rent charged.

In the future the elderly and the disable annual rent increase shall not exceed 5 percent even if the CPI is higher. CPI for 2006 is 4.2 percent the general public will probably receive a 6.2 percent rent increase when adding the 2 percent rent increase to the CPI. If you are elderly or disable you will only receive a 4.2 percent on the rent charged. The new law also abolishes the controversial rent ceilings which are determined by the market cost.

In regard, to vacant apartment units the law provides for rent increases to be 10 percent and with substantial comparable vacant units, rent increase can go up to 30 percent..

The Rent Control Reform initiative is not the panacea for the housing woes of the working poor, in the District of Columbia, as well as for the nation. However, with the passage of Rent Control Reform measure the council also passed the "Tenant Right to Organize Bill", created a "Tenant Advocate Office", and passed the Tenant Information Act".

The (DC) Coalition for Housing Justice, Inc. along with Tenant Action Network and TENAC and others are honored and proud to have spearheaded the negotiations for much of the strong Tenant Reform measures. Our hope is with the "yeoman" like political leadership of Councilmember Jim Graham along with tenacious community activism of the Coalition ,we will see the re-emergence of a strong working peoples tenant and housing movement. This movement must demand and move the nation to create "decent and affordable housing for everyone, not just for the privilege few".

By Lester M. Cuffie, JD
Wednesday, August 9, 2006

shares of the coop's mortgage financing and the value of any substantial improvements they may have made in their units.

The concepts of limited equity coops has been applied to most coops that receive any substantial help from the government, nonprofits, or others, such as a reduction in the cost of the land below appraised value, or any kind of lower financing cost, grant assistance, project, or individual subsidy that makes the housing "more affordable" to people with lower incomes.

Examples of Washington's Rich CO-OP Heritage

Having the second largest number of coops in the USA, Coops maybe grouped into the following categories: The list, however, continues to grow:

- Real Estate/Housing/Apartment Coops
- Educational Cooperatives
- Electric/Energy Cooperative
- Artist Cooperatives
- Government Coop (Embassies and Consulates)
- Urban Gardening Coops
- National Bank Coops
- National Business Coops
- National Consumer Coops
- Agriculture Coops
- Telecommunications Coops
- Coops Associations
- International Trade Organization coops
- National trade organization coops
- Personnel services coops
- B2B Property Management coops
- Outdoor parks coops
- Nursery and florists coops
- Childcare services coops specially foods
- Grocery stores-diet centers coops
- Health care coops
- Personal financing coops
- US minerals managements services coops
- Management consultant services coops
- Marketing and marketing research coops
- Women business centers coops
- Medical insurance coops
- Used and rare bookstores coops
- B2B contractors
- Religious organizations coops
- Social services coops
- Languages coops
- Industrial agents and reps coops
- B2B credit unions coops
- Lawyers coops
- Newspaper and publication coops
- Dog behavior training coops
- National and organic food coops
- Restaurant and coffee house coops

FIVE GOOD REASONS FOR CO-OPERATIVES IN THE DISTRICT OF COLUMBIA

1. Co-operatives are Community Enterprises

Co-operatives keep economic benefits within a community. Profit is not siphoned off by outside interests, because the co-op's members are its owners, and the co-op exists to fill a need in a community that is not being met by other businesses.

- Agriculture Coops satisfy the need for supply, processing and marketing of goods.

- Consumer co-ops provide the members with the goods and services required of the preferred quality at competitive prices.

- Workers' productive co-ops are formed to create or maintain employment in a community.

- Housing co-ops give low-income people the opportunity to own their own homes.

- Co-operative insurance protects individuals and small businesses from risk.

- Credits unions serve people of limited incomes not reached by commercial banks, and extend credit to microentrepreneurs who otherwise might not be able to secure financing.

- Tourism co-ops facilitate the opportunity of holiday stay and travel and offer fair prices and good quality service to their members.

- Electric and telephone co-ops meet rural peoples' needs for power and telecommunications not satisfied by private business.

- Community development co-ops are formed for the overall development of local communities and are specially concerned with social, economic and cultural development.

2. Co-operatives Promote Democracy

- Co-operative members own their business. They provide share capital, elect a board of directors, and receive the benefits of ownership through better service and patronage refunds based on use.

- Co-ops teach people outside the mainstream into a nation's economic and political life.

Co-ops teach people how to resolve problems democratically. Many individuals who received their education in democracy from co-operatives have gone on to become political leaders in their nations.

In emerging democracies, co-ops help throw off the shackles of anon-market economy. Their members develop the skills of entrepreneurship, and learn market values.

3. Co-operatives Build Open Markets

As more and more governments divest state-owned enterprises, there is a danger that these monopolies may be moved intact into private hands. Co-operatives help avoid this pitfall by ensuring wide participation by the users of the former state service. Co-operatives spread economic power and encourage competition. They provide market leverage to small producers victimized by powerful cartels or sole-source companies. They undercut middlemen and money lenders, whose charges are often exorbitant. By ploughing profits back into the business, co-ops can operate on narrower margins. Thus, they help drive down unfair prices, and set a competitive range for goods and services.

4. Co-operatives Raise Human Dignity

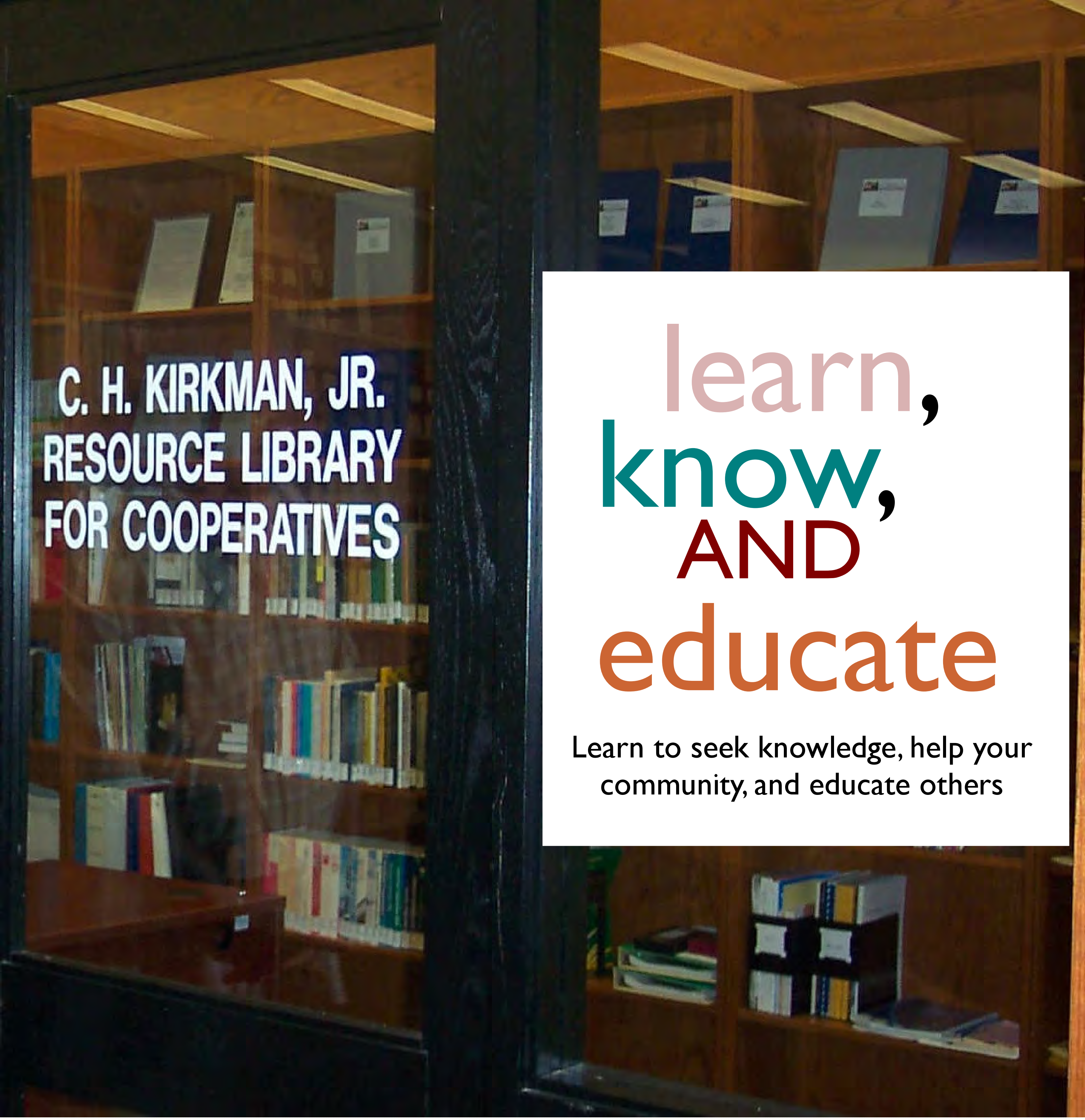
Co-operative help people escape poverty and achieve dreams, such as owning a home or giving their children an education. Since educated decision-making is essential to a co-op's success, co-ops also teach new skills, from adult literacy to business operations. Co-operatives empower individuals by giving the chance to participate in decisions which have an impact on them. Armed with the ability to effect change, members find solutions to social and economic needs. Co-ops provide an organized way for low-income people to relate to sometimes distant governments and economic power structures.

5 Cooperatives are Systems for Development

Co-operatives draw community businesses into regional and national networks. Local Co-ops benefit from larger business volume, operating efficiencies and professional management. The economic pyramid enables farmers to purchase supplies at volume discounts, and receive profits from value-added processing and consumer sales. Credit unions pool their resources, and are able to transfer surplus savings to credit unions in lower income areas. Electric co-operatives join together to buy power at a lower cost.

Be a part of the Vision of Cooperatives

The Cooperative Extensive Services of the University of the District of Columbia
4300 Connecticut Avenue
Washington, DC 20032
Telephone (202) 274-7126



learn,
know,
AND
educate

Learn to seek knowledge, help your community, and educate others

Understanding Cooperatives is the Official Publication of the Cooperative Extensive Services of the University of the District of Columbia

The Cooperative Extensive Services of The University of the District of Columbia
4300 Connecticut Avenue
Washington, DC 20032
Telephone (202) 274-7126