

CO-OP CONTACT



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UNITED HOUSING FOUNDATION
COMMUNITY SERVICES, INC.



DOCTOR JAMES PETER WARBASSE 1866-1957

Dr. Warbasse was one of those unique individuals who lived life fully and was extremely successful in everything he did.

Leaving an outstanding career as a surgeon to devote himself to the social ills of society, he founded The Cooperative League of the USA in 1916. He served as President of The League for twenty five years, retiring in 1941 to become President Emeritus.

For many years the growth and development of consumer's cooperatives in the United States was due in large measure to the drive and skill of "The Doctor". To Warbasse, the cooperative idea transcended local communities, national and international boundary lines. He envisioned cooperatives as a method whereby consumers could build a society of peace and prosperity.

His prolific writings on cooperatives include COOPERATIVE DEMOCRACY, PROBLEMS OF COOPERATION, THE COOPERATIVE WAY, CO-

OPERATIVE EDUCATION, COOPERATIVE MEDICINE, COOPERATIVE PEACE and many other books and pamphlets including an autobiography THREE VOYAGES published last year. He was editor of the magazine CO-OPERATION from 1919 to 1927. We prize his encouraging comments on the birth of CO-OP CONTACT and we were proud to print his article "Private Enterprise" in the June-July issue last year.

He was primarily responsible for the establishment of Rochdale Institute as a training school for cooperative executives and employees. Some day, and it is hoped to be soon, a cooperative college will be established to carry on the educational work pioneered by Dr. Warbasse.

The cooperative movement has a long way to go before it accomplishes all that Doctor Warbasse envisioned as possible. However, on the sound foundation he built, the work will be carried on by others. But the world wide cooperative movement was richer because James Peter Warbasse had a leading part in it.

ELECTCHESTER PAYS RENT REBATES

For the second successive year many of the tenant-owners living in the Electchester Cooperative have received a rent rebate.

Electchester, a member of the United Housing Foundation, is the largest cooperative development in the United States. It was sponsored by Local 3 of the International Brotherhood of Electrical Workers. The 2,228 units are divided into a number of separate "housing companies."

Located in Queens on the site of the old Pomonok Golf Course, the mammoth development is comprised of three and six story buildings. It was built under the New York State Housing Companies (Limited Dividend) Law. The project cost approximately \$22,000,000. The equity payments average approximately \$390 a room and the monthly carrying charges average just over \$17 a room including utilities. In addition to sponsoring Electchester, Local 3 of the IBEW, through the Joint Industries Board, assumed part of the mortgage financing at a low rate of interest.

At the end of last year the First Housing Company in Electchester, granted a half month's rent rebate to its 383 cooperators. The Fourth Housing Company with 388 units, did the same. One section of the Third Housing Company, granted a full month's concession. The total value of the adjustments of the monthly carrying charges was approximately \$56,000.

With low carrying charges, plus the rent rebates, Electchester is exemplifying the cooperative idea. In a period of inflation many cooperatives are concentrating on maintaining low carrying charges and have found it impossible to consider rent rebates.

One element in Electchester's success is that the individual cooperators have given a great amount of free time and effort to assist with the maintenance of the project. This had reduced the operating costs substantially. This coupled with the development's favorable financing, has contributed to their outstanding financial success.

THE COST OF HOUSING TODAY

Sol Shaviro*

Three major factors determine the cost of housing today. First, the cost of construction, which includes profit, secondly, the cost of financing, and thirdly, the cost of land. Since the end of World War II, the cost of construction has more than doubled, the cost of financing has increased to a twenty year high and real estate values have risen continuously.

In addition to these development costs, there has been a steady increase in the operating costs of housing. Increases in the costs of labor, fuel and other supplies, and taxes, have been added to the burdens of increased interest on the mortgage. The result of these factors has been a tremendous shortage of housing; and whatever housing is available is fantastically expensive.

Cooperative housing is not exempt from the burden of rising construction and financing costs, but the element of profit has been eliminated. Despite this fact, it is estimated that to duplicate a project completed in 1956, at a cost of \$20,000,000, today would cost at least \$22,500,000. This means that, in a cooperative, the carrying charges, and perhaps the equity payments, would have to be increased.

To a private developer the high cost of financing and construction means very little, as long as he can pass along the higher costs to his tenants. However, it is an entirely different situation with cooperatives. Their purpose is to provide housing to the consumer at the lowest reasonable cost.

Thirty years ago when the Amalgamated Housing cooperative in the Bronx was built, construction was as low as \$1,300 a room, in a non-fireproof building; the monthly carrying charges averaged \$11.00 a room. When the Hillman Houses were built on the lower East Side between 1946 and 1950, construction costs had risen to \$2,600 a room, in a fire-proof building; the average monthly carrying charges reaches \$16.00 a room. Today the construction costs of new cooperatives being built in New York are about \$3,200 a room; and the monthly charges are about \$20.00 a room. This steady increase in monthly carrying charges from \$11 to \$20 is a matter of vital concern to cooperative leaders.

NATIONAL TREND

Throughout the country the picture is similar. Between 1946 and 1950, the national building construction index increased from 77.1 to 116.3. In 1950,

* Mr. Shaviro has been active in cooperatives for many years. He is Assistant Secretary of Amalgamated Housing Corporation and is associated with Mr. A. E. Kazan in the management of that development.

the national average cost of constructing a four room apartment was \$8,450. By 1953, with the building index at 131.1 the cost of a four room unit averaged \$9,525. Between 1953 and 1955, the index increased 19.6 points to 150.7, and the cost of constructing a four room apartment reached \$10,950. Later figures are not yet available but construction costs have increased about 8 percent from 1955 to 1956. Today the average cost of building a four room unit is approaching \$12,000.

Unless there is a major change in the national economy, there is little likelihood that construction costs will decrease. Major factors in the cost of construction are high profits and the cost of building materials which increased about thirty percent between the 1947-49 period and the end of 1956.

Another substantial factor is the cost of labor. Construction workers today are among the best paid of the skilled craftsmen. The wage of a laborer, the lowest paid in the construction field, exceeds that of many school teachers, librarians and other professional and white collar workers.

Construction work is unquestionably difficult, dangerous, subject to seasonal factors, loss of time between jobs, and economic fluctuations. As a result, annual earnings do not necessarily reflect the high hourly rate which affects construction costs. In addition, inflationary tendencies have reduced the construction worker's purchasing power. Thus, the worker faces the dilemma of building homes he cannot afford.

HIGH COST OF MONEY

Concurrently, the high cost of money is a major obstacle to the construction of housing at a reasonable price. Inflationary factors in our economy, as well as the desire for higher profits, have raised the price of money as well as other commodities. The Federal Reserve Board has increased discount rates in an effort to curb inflation. Between January 1953 and December 1956 the discount rate was increased from 1.75% to 3.00%. As an anti-inflationary measure the results of this "tight money policy" are doubtful at best, since the volume of loans of all sorts continues to climb, and the end of the inflationary spiral is nowhere in sight. One obvious, immediate effect, however, is the increase of interest rates on mortgage loans.

Money is available for those who are willing to pay the price, but the developer of legitimate cooperative housing hesitates to build because of rising interest costs. In 1950, mortgage money was available at 3½% for many cooperatives. Today the prevailing rate for mortgages is 5%. On a ten million dollar mortgage, this difference would add \$150,000 to the annual

cost of operating a development, or about \$3.00 a room to the average monthly rental.

The building of non-luxury homes and apartments has already been curtailed by the high interest rates. In 1954, 90,200 privately financed rental units were made available, in 1955, there were 86,700 built and in 1956, an estimated 75,000. A large percentage of these units were luxury apartments. This, coupled with a curtailed public housing program has accentuated the housing shortage.

It is ironic that while the savings of millions of people swell the funds of the banks, insurance companies and other financial institutions that make mortgage loans, these very people cannot afford, under present interest rates, to borrow back their own money to provide themselves with decent housing.

IS THERE A SOLUTION?

Where does all this leave the consumer? While we ride the crest of "prosperity" the question is often asked "Are we really prosperous?". True, employment is at an all time high. With the exception of farm income, wages are at an all time high, as are investments and profits; but on the other hand there are also record peaks of consumer debt, and consumer prices. Last year the consumer price index increased three points to an all time high. It is estimated that this price increase cost consumers about seven and a half billion dollars.

One solution to some of our problems lies in expanding the cooperative segment of our economy. Elsewhere in this issue is a report of one housing cooperative paying rent rebates last year. Another cooperative, a supermarket in New York City, is paying \$25,000 in refunds to its members. Still another cooperative service is returning a 3% refund on home delivered milk. Admittedly these refunds are not of major economic importance, but they are an indication of what could be done on a large scale if consumers would wake up to the power they possess as consumers.

If cooperatives were big enough they could function as a balance wheel in our economy. If they were large enough they could help control prices, eliminate monopolistic practices, prevent others from gaining exorbitant profits, and generally stand as a yardstick against which profit housing would have to be measured. Most important at this time, of course, is the fact that cooperative housing can directly satisfy the needs of families of moderate income who will not otherwise be helped.

Many ways can be found to increase the volume and importance of cooperative housing in the total housing picture. More mortgage money should be made available at a reasonable cost from the various trust and pension funds of unions and foundations. Government assistance, despite the disadvantages of dealing with government agencies, could increase cooperative housing volume. But most of all, strong cooperative enterprises, with their own banks, construction and production facilities could make cooperative housing a major factor in the housing market.

In the meantime, consumers rush to apply for some legitimate cooperative apartments, and without the use of advertisements or public announcements, there are five applicants for every unit available. For as one consumer recently said, "Where else can I get a new apartment at \$20 or \$21 a room a month; it's the best buy I know of."

TEACHERS FINANCE CHASE-MANHATTAN'S BANK BUILDING

Few would disagree with the statement that of all the professions, teaching is the most honorable. As true as this statement is, as a group, teachers are among the poorest paid of all workers. Not degrading such occupations as laborers, sanitation employees, typists, postal employees, elevator operators, etc., it is nevertheless strange that these occupations generally pay more than many teaching assignments. Undoubtedly the national shortage of teachers is commensurate with the low wage scale in this profession.

Like most other workers, every teacher looks forward to a time of retirement. Toward this end a few dollars from their small salaries each month are set aside for their retirement fund. As education is under the supervision of the State, a special Board has been established under state law, to administer the State Teachers Retirement Pension Funds. This Board is comprised of seven individuals; three of whom are teachers elected by their colleagues; the State Commissioner of Education appoints two school administrators as members; the Board of Regents elects one member who shall not be an employee of the State, but who shall be a banker by profession; the seventh member is the Comptroller of the State of New York.

Recently it was announced that the State Teachers Retirement System had made a \$60,000,000 investment in a single commercial enterprise. In the past

the Teacher's Retirement Fund had invested in FHA insured mortgages of housing cooperatives. By doing so, reasonably priced housing was being created in which, among others, teachers would live.

The investment of \$60,000,000 at a reasonable rate of interest, would build about six thousand new dwelling units. It is inconceivable that a Board comprised of such enlightened citizens, including the State Comptroller, would not be cognizant of the great housing shortage which exists in the State of New York. Certainly more than any other individual in the State, the Comptroller should know of the desperate shortage of mortgage money to build middle income housing.

Did not the State attempt last November, to win approval for a bond issue of \$100,000,000 to provide middle income housing? Could not a Board composed of State officials channel sixty million dollars into a creative enterprise which would have benefited over twenty thousand people?

Certainly school administrators and teachers on this Board should realize that teachers are in the forefront of the housing squeeze. Of all wage earners the underpaid school teacher would benefit by lower rental cooperatives.

When \$60,000,000 could have been safely invested in projects which would have done so much to build middle income housing, it is beyond comprehension to understand why this money was loaned (at 4% for thirty years) to the Chase Manhattan Bank, to build its sixty-story office building in the Wall Street area of New York City.

This is a single illustration of a large and complex problem. Namely, how are pension funds to be invested in the future? It is estimated that there are today twenty-five billion dollars in pension funds and that they are increasing at the rate of two and a half billion dollars a year. These funds potentially represent a financial force which can be used for tremendously worthwhile projects. No longer are banks and insurance companies the only source for financing enterprises. (It is ironical that the second largest bank in the United States would finance its own office building from the pension funds of poor teachers).

Labor unions will have to decide if their pension funds are going to be used to the advantage of private profit enterprises or will they be used to finance enterprises which will directly increase the standards of living of the men and women who are providing the funds. This is an important question for labor leaders to decide.

THE LAST WORD

Roger Schafer
Secretary United Housing Foundation

Official records and reports from the Board of Estimate of the City of New York and the State Division of Housing reveal an increasing interest in cooperative housing for middle income families in 1956. In July the Board of Estimate, Messrs. Lundy and Gerosa dissenting, approved the authorization of studies to be made by the Committee on Slum Clearance for eight Title I projects. In order to bring carrying charges within the reach of middle income families, it was proposed that five of these would be cooperatives and would pay less than the normal commercial taxes.

Of the five sites, one is on the East River in the Bronx (Soundview); three are in Manhattan (Bellevue) — Penn Station South and Cooper Square), and one in Brooklyn. The original Brooklyn Heights proposal was modified in September to a proposal for a project in the Cadman Plaza area. If past experience is a guide, the studies will take approximately a year, and the projects will not be available for occupancy until after 1960.

In addition, The Board of Estimate approved the sale of city-owned land, off Bruckner Boulevard in the Bronx, to the Soundview Park Housing Corporation. The Board of Estimate agreed to grant this project liberal tax incentives. The mortgage for the first section of this cooperative is currently being processed through the FHA. Although it is too early to predict the total number of cooperative apartments that will become available if the six above mentioned projects are completed, the total will certainly exceed eight thousand.

In December the State Division of Housing released a revised list of cooperatives to be financed by state loans and supervised by the state under the Limited Profit Housing Law. These are relatively small developments including: Woodlawn, with a \$406 per room down payment and \$20.96 carrying charge per rental room per month, for 99 apartments; Parkside, with \$404 down payment and \$20.55 carrying charge for 166 apartments; Senior Village, with \$352 down payment per rental room and a \$19.38 carrying charge, for 420 apartments; and Sunset Green in Yonkers, with a \$381 down payment per room and \$18.23 per room carrying charge, for 70 apartments.

Persons interested in further information about any of these cooperatives can write to the United Housing Foundation. In future issues, we will continue to bring to your attention all the official information as it becomes available.

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