

Meeting Date: August 1, 2006

Item #: _____

Staff Report

July 25, 2006

TO: City Council

FROM: Danielle Foster, Housing Programs Manager
Jerilyn Cochran, Deputy Director of Parks and Community Services

SUBJECT: Pacifico Cooperative Memorandum of Understanding- 1752 Drew Circle

Staff Recommendation

1. Approve attached resolution (Attachment 1) directing the City Manager to sign the enclosed Memorandum of Understanding (Exhibit A) with the related parties of the Pacifico Cooperative affordable housing project.
2. Direct staff to return to Council at least annually to report on progress in sustaining the Pacifico project as permanently affordable housing in Davis.

Fiscal Impact:

The City is not currently being impacted fiscally by this project, aside from a suspension in the project's monthly payments of \$2,248.31 to the City's Housing Trust Fund. If vacancies continue at the project and it is necessary for the City to take control of the property, approximately \$2.8 million in debt would need to be repaid to other lenders on the project.

Background

Davis Campus Cooperatives (DCC) is owner of Pacifico Student Housing Cooperative, a 112-bed cooperative housing project that first began development in 1999, opening for tenancy in 2000, and expanding with a fourth building in Fall 2004. The project is located at 1752 Drew Circle and was built to fulfill a portion of the affordable housing requirement for the surrounding subdivision. The project's property was provided through the City of Davis's Inclusionary Housing Ordinance. The project received financing from First Northern Bank of Dixon, the Cooperative Total Living Fund from the City of Kyoto (Japan), and affordable housing funds from the City of Davis.

Pacifico is predominantly an income-restricted development that serves very low and low income students, as well as other one to two person very low and low income households. For the past two years, Pacifico has had vacancy rates averaging twenty to twenty-five percent. DCC has reported to the city that the high vacancy rate is due primarily to the lack of effective marketing of the merits of the cooperative living model for students.

The City has worked with the property management on marketing and explored creative uses for the project. However, due to high vacancy rates at the property during late 2005 and early 2006, averaging up to thirty percent, the City granted DCC a temporary suspension of payments on the City of Davis loan to the Property that currently requires payments. DCC has also suspended its payments on the Kyoto loan to Pacifico due to the project's insufficient funds. The City granted

approval of the suspension, with the expectation that payments would resume this fall, once an MOU was put into place and the project had time to decrease vacancies.

New Project Partners Seeks to Decrease Vacancies

Reducing vacancies in this affordable housing project is challenging, primarily because the cooperative model is dependent on a core of people committed to cooperative living. In an attempt to bridge the gap in needed affordable housing with the marketing the cooperative model to students, DCC sought the assistance of a group with national experience in promoting and operating cooperative student housing.

In late 2005, DCC stated its desire to collaborate with North American Students of Cooperation Organization (NASCO), in an effort to improve the current status of Pacifico. DCC's Board of Directors decided to bring NASCO into the project as the operational director and board of directors for Pacifico. Lenders to the project, including the City of Davis and First Northern Bank, agreed to support collaboration with NASCO with the condition that all parties involved agree to an MOU. Exhibit A of the resolution found as Attachment 1 is the MOU that the parties have reviewed and is ready for adoption.

North American Students of Cooperation, or NASCO, is an educational non-profit organization based out of Michigan that manages and financially assists struggling housing cooperatives. A goal of the organization is to contribute loans and to assist in managing cooperatives that are facing challenges, in an effort to revitalize cooperatives and educate both existing and potential residents about the cooperative housing model. NASCO currently manages six properties, totaling approximately 150 housing units, the majority of which do not have affordability restrictions. NASCO has brought staff out on site visits and has hired an on-site intern to further public education about the project and the model. Additionally, NASCO has contributed both time and \$50,000 in funds to cover current project overruns, while also gaining commitments of financial support from other housing cooperatives.

NASCO has commenced public education and outreach at UC Davis and Pacifico in order to increase the number of leased units and to strengthen the cooperative framework of the property. NASCO intends to decrease the vacancy rate at Pacifico to a rate that allows the project to sustain itself financially and to a point that is at the industry standard of five percent or less. NASCO's detailed workplan for Pacifico is included as Attachment 2 of this report.

The overriding purpose of the project, as a product of the City's Inclusionary Housing Ordinance and affordable housing funds, is the provision and sustainability of affordable units at the site in perpetuity, meeting the needs of the surrounding community. The proposed MOU recognizes NASCO's goal of educating and marketing the cooperative model to existing and potential residents as a means of making Pacifico more successful and as a venue for educating others about cooperative living. The MOU also clearly states the roles and responsibilities of all parties involved, the thresholds by which future success of Pacifico Cooperative will be measured, and the City's remedies if the project vacancies do not decrease and the project does not become financially stable.

Project Financial Data

The Pacifico Cooperative has a unique set of funding sources aimed at promoting cooperative between Kyoto Japan, the city of Davis and the private sector. The chart that follows page specifies the funding sources for the project as currently in place:

LOANS	Terms	Interest Rate	Original Amount (Per notes)	Remaining Balances	Equity	Notes:
First Northern Bank	30	7.00%	825,000	796,650	28,350	
First Northern Bank	30	6.98%	1,250,000	1,239,761	10,239	
First Northern Bank/AHP	30	0.00%	250,000	250,000	-	Note: No payments to be made -- forgiven in 15 yrs
City of Davis	30	6.00%	375,000	323,760	51,240	
City of Davis	30	3.50%	642,000	642,000	-	Note: Payments from residual cash flow
Co-op Total Living (Kyoto)	25	8.00%	463,000	446,339	16,661	
Total			\$ 3,805,000	\$ 3,698,510	\$ 106,490	

Part of NASCO's collaboration with DCC has been the infusion of additional funds to the project. Although the Pacifico Cooperative has suspended payments to the City of Davis and the City of Kyoto, the project continues to operate at a loss averaging \$10,000 per month due to the high vacancy rates at the property. With its agreement of partnership, NASCO provided the project with \$50,000 in unsecured loans to the project and has promised up to \$75,000 additional funds to the project through additional unsecured loans from other housing cooperatives, totaling up to \$125,000 in additional debt to the project. NASCO's proposed proforma for Pacifico, that includes the addition of these \$125,000 in funds, is included as Attachment 4 to this report.

Summary of Memorandum

The purposes of the proposed Memorandum of Understanding are to:

- 1) Ensure sustainability and affordability of the City's affordable housing resource, Pacifico Cooperative
- 2) Clearly define responsibilities of the parties involved and the standards by which future success of the project will be measured.

- 3) Delineate next steps in the improved utilization of the affordable housing project or in the case of continued vacancies and financial difficulties at the project.

City staff has several goals expressed in the MOU:

- Identify clear vacancy benchmarks for the Pacifico Cooperative Project.
- Clarify financial responsibilities of DCC and NASCO to the project if shortfalls do continue- even if vacancy benchmarks are met.
- Reach mutual agreement on the City's ability to take ownership of Pacifico if the roles and responsibilities are not met.

Conclusion and Next Steps

Since NASCO has agreed to cover the operating deficits of the Pacifico Cooperative while additional marketing of the cooperative model is implemented, city staff recommends the Memorandum of Understanding allowing NASCO to operate the project for at least three years. Staff has reviewed the Memorandum of Understanding with First Northern Bank, who supports the milestones and performance standards. Staff will use the approved Memorandum of Understanding to enforce reporting requirements for the project and will closely monitor the vacancy rates and financial status of the project.

If the project does not meet specified MOU benchmarks and responsibilities, staff will return to Council with a recommendation on how to proceed. If current vacancy levels do not substantially decrease, staff would likely recommend that the City take ownership of the project and entertain project proposals for a new use of the existing buildings to better meet the affordable housing needs of the community.

Attachments:

1. Resolution directing the City Manager to sign the Memorandum of Understanding as detailed in this report and shown as Exhibit A
Exhibit A: Pacifico Student Housing Cooperative Housing Project Memorandum of Understanding
2. NASCO Pacifico Workplan
3. NASCO Pacifico Proforma

RESOLUTION NO. _____ SERIES 2006

**AUTHORIZING THE CITY MANAGER TO SIGN A MEMORANDUM OF UNDERSTANDING
WITH DAVIS CAMPUS COOPERATIVES, NORTH AMERICAN STUDENTS OF
COOPERATION ORGANIZATION, AND FIRST NORTHERN BANK THAT STATES EACH
PARTY'S ROLES AND RESPONSIBILITIES IN RELATION TO THE PACIFICO STUDENT
HOUSING COOPERATIVE
AT 1752 DREW CIRCLE**

WHEREAS, the Pacifico Student Housing Cooperative is an affordable housing project that was built in accordance with requirements of the City's inclusionary ordinance; and

WHEREAS, the Pacifico Student Housing Cooperative was developed with the assistance of city housing funds and land provided through the city's affordable housing program; and

WHEREAS, the Pacifico Student Housing Cooperative has had high vacancy rates, averaging twenty to thirty percent within the last two years; and

WHEREAS, the Pacifico Student Housing Cooperative recently suspended payments on a City of Davis loan to the project and continues to operate at a loss, while depleting its project reserves; and

WHEREAS, the owner of Pacifico Student Housing Cooperative, Davis Campus Cooperatives, has proposed to the City a partnership with North American Students of Cooperation Organization as a means to reduce vacancy at the project and improve outreach and public education about the project model;

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council:

1. Authorizes the City Manager or his designee to sign the attached Memorandum of Understanding (Exhibit A) with Davis Campus Cooperatives (DCC), North American Students of Cooperation Organization (NASCO), and First Northern Bank that states each party's roles and responsibilities in relation to the Pacifico Housing Cooperative located at 1752 Drew Circle.
2. Requests staff to return with periodic updates on the progress of Pacifico Housing Cooperative and each party's ability to fulfill its Roles and Responsibilities, as stated in the Memorandum of Understanding (Exhibit A).

Approved and adopted on the _____ day of August, 2006 by the following vote:

AYES:

NOES:

ABSENT:

Sue Greenwald, Mayor

ATTEST:

Margaret Roberts, City Clerk

DRAFT

**Pacifico Student Cooperative Housing Project
MEMORANDUM OF UNDERSTANDING**

**Temporary Suspension of City Loan
and Proposed Collaboration with
North American Students of Cooperation Organization (NASCO)**

Parties

Davis Campus Cooperatives, a California non-profit organization, with its principal offices located at 1752 Drew Circle, Davis, CA 95616;

and

North American Students of Cooperation Organization, an educational nonprofit organization, with its principal offices located at 337 E. William St. Ann Arbor, MI 48107, with a mailing address at PO Box 7715;

and

City of Davis, a California municipality, with its principal offices located at 23 Russell Boulevard, Davis, CA 95616;

and

First Northern Bank of Dixon, a for-profit lender, with its principal offices located at 434 Second Street, Davis, CA 95616.

Purpose

Davis Campus Cooperatives (DCC) is owner of Pacifico Student Housing Cooperative, a 112-bed cooperative housing project that first began development in 1999, opening for tenancy in 2000, and expanding with a fourth building in Fall 2004. The project is located at 1752 Drew Circle in the City of Davis, California. The property was provided through the City of Davis Inclusionary Housing Ordinance and received financing from First Northern Bank of Dixon, the Cooperative Total Living Fund from the City of Kyoto, and affordable housing funds from the City of Davis. Pacifico is predominantly an income restricted development that serves very low and low income students, as well as other one to two person households. Due to high vacancy rates at the property, averaging thirty percent, DCC has requested a temporary suspension of the City of Davis loan to the Property and also wishes to collaborate with North American Students of Cooperation Organization (NASCO), in order to bring NASCO into the project as the operational director and board of Pacifico. NASCO has commenced public education and outreach at UC Davis and Pacifico in order to increase the amount of leased units and strengthen the cooperative framework of the property. NASCO intends to decrease the vacancy rate at the project, Pacifico, to a rate that allows the project to sustain itself financially and is no greater than the industry standard of five percent. The overriding purpose of the project, as a product of the City's Inclusionary Housing Ordinance and affordable housing funds, is the provision and sustainability of affordable units at the site in perpetuity that meet the needs of the surrounding community.

Intent of Memorandum of Understanding

The intent of the Parties is to identify and agree upon the scope of roles, responsibilities, and remedies that each party can bring to accomplishing the above-stated purpose and to maintaining the project's affordability if the reduction of vacancies and sustainability of the project cannot be achieved. It is also understood that this is not a binding or contractual relationship, but an understanding of mutual benefit and intent.

1. DCC's Roles and Responsibilities:

- a. DCC will support and comply with the NASCO Management Plan, upon its approval by the City of Davis
- b. DCC will support and comply with the NASCO Workplan for Pacifico, assisting in identified objectives as necessary

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- c. DCC agrees to transfer and assign ownership of Pacifico Student Cooperative to the City of Davis or its designee, if the purpose stated in this MOU is not accomplished by the dates stated in the section entitled *NASCO's Roles and Responsibilities* and/or if NASCO decides to relinquish its financial support or partnering interests in the project.
 - d. DCC commits to sustaining the project and its losses during fiscal year 05-06.
 - e. DCC agrees to permit all deed of trust holders for its Pacifico project to communicate directly with each other regarding the status and details of their individual loan documents recorded against the Pacifico project. (pending approval by Davis Campus Cooperatives)
2. NASCO's Roles and Responsibilities:
- a. NASCO agrees to continue to adhere to and carry out the Workplan for Pacifico, as presented to the Parties of this agreement. It is understood that details of the plan might be adjusted as necessary, but the goals of the plan shall remain unchanged unless approved by the City of Davis and First Northern Bank.
 - b. NASCO will draft and provide to the Parties for approval the NASCO Management Plan for Pacifico. This plan shall be submitted to the City for approval and shall be executed no later than August 1, 2006.
 - c. NASCO agrees to reduce the vacancy rate at Pacifico to thirty percent or less on or before **October 1, 2006**, using standard rent amounts and terms of lease for the project in a manner that sustains project financial viability. For the purpose of the MOU, standard rent amounts are those that both comply with the City of Davis affordable housing requirements at Pacifico and ensure longterm financial sustainability to the project, through regular debt service payments, covering project costs, and increasing reserves.
 - d. NASCO agrees to reduce the vacancy rate at Pacifico to twenty percent or less on or before **October 1, 2007**, using standard rent amounts and terms of lease for the project in a manner that sustains project financial viability.
 - e. NASCO agrees to reduce the vacancy rate at Pacifico to ten percent or less on or before **October 1, 2008**, using standard rent amounts and terms of lease for the project in a manner that sustains project financial viability.
 - f. NASCO agrees to reduce the vacancy rate at Pacifico to five percent or less on or before **October 1, 2009**, using standard rent amounts and terms of lease for the project in a manner that sustains project financial viability, is consistent with the project's approved proforma, adheres to project affordability requirements, and obtains a stable and increasing debt coverage ratio of not less than 1.10.
 - g. NASCO agrees to financially sustain the project during fiscal years 05-06, 06-07, 07-08, and 08-09, provided that the project continues to meet the target occupancy goals, as stated in items c-f. If the project does not meet the occupancy goals and NASCO intends to stop providing financial assistance to the project during the stated fiscal years, the organization shall provide six months notice to the City of Davis of its intent to relinquish financial support and partnering interests in the project. Financially sustaining the project shall include regular payments of outstanding project debt, covering losses in the project as necessary to sustain the project, and providing funds for the ongoing maintenance and management of the project.
 - h. NASCO agrees to transfer and assign its interests in the Pacifico Student Cooperative to the City of Davis or its designee, if the purpose stated in this MOU is not accomplished and/or if NASCO does not fulfill the roles and responsibilities stated in this section entitled *NASCO's Roles and Responsibilities*. NASCO's interests include management of the project, representatives on the DCC Board of Directors, and financial investments into Pacifico Student Cooperative.
 - i. NASCO agrees to forgive its \$50,000 loan to Pacifico if NASCO does not accomplish all of the roles and responsibilities stated in this section entitled *NASCO's Roles and Responsibilities*. Additionally, NASCO will clearly state to the other Cooperatives, who are providing approximately \$75,000 to Pacifico, that their loans are unsecured and will not be repaid if the project does not accomplish the vacancy goals stated in this section.

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- j. If NASCO does not accomplish all of the roles and responsibilities stated in this section entitle *NASCO's Roles and Responsibilities*, NASCO agrees to forgive the Pacifico project of the development success fee and any NASCO loans that result in the collaboration of NASCO and DCC.
 - k. NASCO agrees to provide quarterly management and fiscal reports on the Pacifico project to the City, specifically related to vacancies and project cash flow and expenses, and will provide additional information as reasonably requested. (pending approval by NASCO)
3. City of Davis Roles and Responsibilities:
- a. City of Davis agrees to suspend required payments on its loan through September 1, 2006. The City agrees to work with NASCO and DCC if this date is infeasible.
 - b. City of Davis will support and cooperate with additional marketing efforts of Pacifico.
 - c. City of Davis supports and approves the collaboration of DCC and NASCO, bringing NASCO into the project as its Board and Operational Director in Summer/Fall 2006. This approval is conditional of NASCO/DCC fulfilling its Roles and Responsibilities, as listed above, and will be reviewed annually until the vacancy decreases listed in the section above entitled *NASCO's Roles and Responsibilities* are accomplished.
 - d. City of Davis agrees to take ownership of the Pacifico project or designate a qualified entity to take ownership of the project if NASCO, with DCC, does not fulfill its roles and responsibilities, as detailed in the section above entitled *NASCO's Roles and Responsibilities*.
4. First Northern Bank of Dixon Roles and Responsibilities:
- a. First Northern Bank supports and approves the collaboration of DCC and NASCO, bringing NASCO into the project as its Board and Operational Director in Summer/Fall 2006. This approval is conditional of NASCO/DCC fulfilling its Roles and Responsibilities, as listed above, and will be reviewed annually until the vacancy decreases listed in the section above entitled *NASCO's Roles and Responsibilities* are accomplished.
 - b. First Northern Bank agrees to support the transfer of debt and ownership of the Pacifico project to the City of Davis or a qualified designee, if NASCO, with DCC, does not fulfill its roles and responsibilities, as detailed in the section above entitled *NASCO's Roles and Responsibilities*.

The above-stated understandings are accepted and agreed to between the parties.

Davis Campus Cooperatives (DCC)

By _____
Daniel Miller, President of Trustees Date _____

North American Association of Cooperation (NASCO)

By _____
Cary Hubbard, President of NASCO Board of Directors Date _____

City of Davis

By _____
Jerilyn Cochran, Deputy Director Date _____

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Parks and Community Services Department

First Northern Bank of Dixon

By _____
Jeff Adamski, Vice President/Manager

_____ Date

Pacifico Work Plan Goals & Objectives

Developing Financial, Community & Organizational Sustainability

A) GOAL:

Achieve financial sustainability

To identify short- and long-term strategies that will provide additional cash flow to Pacifico, avoid foreclosure, and create a financially sustainable co-op.

Objective 1:

Assess feasibility

- Review financial statements, loan covenants, deed restrictions, property tax-exemption information, organizational documents (articles, bylaws, policies).
- Assess current financial position, projected losses, and organizational restrictions.
- Evaluate and forecast operational expenses including insurance, maintenance, reserves, vacancy cushion and overhead for management.
- Evaluate membership fees and carrying charges within context of market analysis, affordability restrictions, and member feedback.

Objective 2:

Evaluate ownership options

- Evaluate NASCO's propose ownership alternatives.
- Consider NASCO and DCC's organizational purposes, the financial impact of each scenario, and the long-term sustainability of Pacifico. Propose preferred options to banks, lenders, Boards, and City of Davis for feedback and approval.
- Complete necessary legal work in order to implement ownership.

Objective 3:

Identify & secure financing

- Forecast cash flow for current and next fiscal years to determine expected loss.
- Identify capital within the NASCO Family available for investment, depending on ownership strategy.
- Approach potential outside investors for low-interest or payment-deferred loans for project, including established student co-ops and loan funds.
- Evaluate current financing structure and decide whether to buy out subordinate loan with CTL, or seek refinancing of primary loans.
- Complete necessary legal and bookkeeping work related to financial investments.
- Collect monthly membership fees from Pacifico (see **Goal B** for recruitment & marketing strategies; see **Goal C** for division of labor)

B) GOAL:

Improve member recruitment

To develop effective and grassroots marketing and recruitment strategies for resident-members to Pacifico—both for the current academic year (Jan-June '05) and for future years.

Objective 1:

Build online presence & accessibility

- Update website with member input, including more information for potential members as well as resources for current membership.
- Post to online communities, guides, calendars, forums and wikis

- Create online applications, including payment options.
- Establish and verify referring links.
- Update and expand current mailing lists.

Objective 2:

Develop campus relations

- Develop or update materials specific to potential residents.
- Send press releases to on-campus publications.
- Establish student group status.
- Identify campus departments or groups that can refer applicants (off-campus housing, international students' office, financial aid department, equal opportunity program, summer programs, graduate programs, UC-Davis Extension, etc.)
- Write letters, make presentations, and build relationships with identified departments or groups.
- Table on-campus events, flyer campus & classrooms, reserve banner or display space.

Objective 3:

Network with community

- Develop or update promotional materials specific to community supporters.
- Send press releases to local newspapers and events calendars.
- Identify local co-ops, volunteer associations, or community groups that would be supportive of Pacifico's mission.
- Write letters, make presentations, and build relationships with identified community groups, requesting assistance or referrals.
- Consider combined effort to promote co-ops and other like-minded groups: shared display windows, tabling at campus or community events, flyer routes, bicycle tours, referrals, work exchanges, etc.

Objective 4:

Draft membership procedures

- Identify target group for Pacifico membership within context of Davis community (both current audience and anticipated.)
- Research housing and rental markets in Davis to determine standards by which to compare Pacifico's performance.
- Review current strategies for recruiting and retaining members.
- Evaluate cost-effectiveness of marketing strategies and efforts.
- Review and revise the membership contract, as needed.
- Draft a marketing plan, membership contract, and recruitment guide to be used by future staff and membership.

C) GOAL:

Establish member control

To increase and improve the management and governance structure whereby Pacifico residents exercise control over Pacifico's governance and day-to-day operations. (the strategy for this will rely on the ownership model selected in **Goal A.**)

Objective 1:

Strengthen resident leadership

- Review and draft job descriptions for Resident Council participants, as well as expectations for new Board of Directors.
- Identify current and potential co-op leaders, using asset-based community development tools.

- Facilitate an election for the Resident Council and/or identify a transitional Board of Directors.
- Establish regular meeting times for Resident Council and/or Board of Directors; appoint officers and representatives to ownership entit(ies).
- Identify areas of operations and develop committee structure.
- Review and recommend revisions to Bylaws and Policy Manuals, as needed.
- Plan leadership training retreat and possible fields trips to UCHA, SBSHC and USCA.

Objective 2:

Create an advisory committee

- Draft description and desired qualifications for an advisory committee, comprised of community members outside of Pacifico with specific expertise or skills.
- Identify potential community members and leaders with skills or experience that would meet the goals of the Community Advisory Committee.
- Develop relationships with and invite advisors to serve on the committee.

Objective 3:

Hire support staff

- Identify skills and tasks for which professional or paid staff are needed. Write job descriptions for on-site manager and community organizing intern (grounds, bookkeeping, cooking, or maintenance?)
- Estimate hours needed and budget for compensation.
- Advertise positions, both locally and nationally.
- Accept applications, interview, and hire on-site manager and community organizing intern.
- Educate staff, members and resident board members on their respective roles and responsibilities, as well as their relation to one another.

Objective 4:

Develop labor system

- Delineate work tasks and number of hours needed to manage Pacifico, including resident managers tasks, minor maintenance, cooking, cleaning, financial reporting, membership, and grounds.
- Research labor systems from different co-ops and develop a system based on preferred practices.
- Write job descriptions for chores, committee members, or house coordinators. Determine work credit for each task or position.
- Consider use of incentives, fines, or compensation in labor system.
- Educate current and potential members about labor expectations, and elect people to positions.

D) GOAL:

Foster community & co-op culture To support a community social dynamic in which members understand and value their shared roles and responsibilities within a cooperative household.

Objective 1:

Implement educational program

- Create new member orientation program, including information about the co-op movement.
- Host quarterly workshops or social events, specifically for members - including general meetings
- Create or improve policy manuals that explain membership rules & responsibilities. Make accessible online (wiki?)
- Budget for and send at least one person from each house to NASCO Institute each year.
- Budget and send staff to NASCO's Staff & Managers Conference each year.
- Plan Board or resident manager retreats.
- Take field trips to other co-ops for Westco, visits, or training.
- Consider creating a co-op community resource library in one of the common areas.
- Consider creating a co-op vision or identify statement.

Objective 2:

Improve meal plan

- Assess current meal plans' strengths and potential using member surveys and door-to-door interviews.
- Research food and meal plans at different co-ops and take field trips to kitchens at SCHA, UCHA, SCSHC, SBSHC, or USCA.
- Intensify the meal planning at one or two houses to start. Consider removing kitchen and dining areas from other buildings in future.
- Evaluate kitchen and dining space – design accessible storage areas, meal prep space, and shared dining areas.
- Evaluate food preparation tools and equipment. Create list of additional appliances or items needed for co-op meal preparation.
- Identify food items needed to stock pantry as well as prepare meals. Look into bulk buying, CSA programs, or food co-op discounts.
- Train newly elected kitchen coordinators, cooks, and planners; invite kitchen managers from other co-ops to lead workshops.
- Create annual food budget – income and expenses.
- Create meal schedule and assign cooking & cleaning work-shifts.
- Let them eat cake!

Objective 3:

Address building & organizational design

- Survey members regarding most and least desirable aspects of current building design and grounds.
- Consider organizational and leadership structure as it relates to each building (e.g. consolidate households or maintain four separate households.)
- Identify and prioritize greatest deficits (small doubles, lack of storage, lack of common space, noisy exterior doors, access between buildings & floors, yellow-jackets in the clover field, availability of car and bicycle parking lot, etc.)
- Brainstorm and estimate costs of improvements or modifications to building and grounds.
- Investigate sustainable energy solutions including passive solar water heating.
- Consider consolidation of common kitchen and dining areas into one or two buildings, leaving the other two for study and living spaces (related to Objective 2.)

- Redecorate using the principles of co-op shui (used couches, carpets, tables, pictures, posters, colors...)
- Create short- and long-term capital improvement budget with assistance and feedback from staff.

TIMELINE

Implementation and deadlines

December	Complete feasibility assessment; submit ownership alternatives and work plan proposal to NASCO, NASCO Properties, and Davis Campus Cooperatives; receive initial feedback on proposals; draft job description for organizing intern.
January	
<i>Week 01.</i>	1-7 UC-Davis Winter Quarter begins; HJ arrives in Davis on the 4th and has introduction and orientation to Pacifico, Davis community and campuses. Meets with MBS, current RC and Resident Managers to review job descriptions and discuss new governance options; identifies needed online revisions and improvements; finalize job description for Davis intern. (25 hours)
<i>Week 02.</i>	8-14. Update promotional materials; contact on-campus departments (including Sac State) and community groups to inform them of the changes at Pacifico; implement online improvements; and begin heavy recruitment; Begin to review current management and membership policies and practices with member feedback. Receive feedback from Pacifico and DCC regarding ownership alternatives; NASCO and NP joint meeting by phone to discuss proposals (1/13); advertise internship at Davis. (35 hours) <i>Saturday 14th – evening 6pm community potluck at the domes, sustainable organizations organizing.</i>
<i>Week 03.</i>	15-21. <i>MLK Day (possible USCA field trip?)</i> Continue ongoing web improvements; continue meeting with campus and community groups; investigate requirements for UC-Davis student group status; schedule recruitment including tabling events and open houses for the rest of the quarter; continue asset-based community development, including membership survey on building design, meals, labor, costs, etc.; schedule meeting or facilitate election of the Resident Council and interested leadership. (35 hours)
<i>Week 04.</i>	22-28. Send press releases regarding NASCO Board meeting; Resident Council meeting to review labor and governance system and identify areas of operation. Discuss how to facilitate transition. Propose membership process and/or modifications to contract. (35 hours)
February	
<i>Week 05.</i>	29-4. (Field trip to Santa Cruz & USCA) NP Board meeting in Santa Cruz with visit to Davis; finalize NP commitment to plan; continue heavy recruitment; work on committee structure, advisory board, labor system, etc.; discuss role of intern and management staff. (25 hours)
<i>Week 06.</i>	5-11 NASCO Week! Jim visits Davis; meets with lenders, banks, City staff, and other folks; all co-op education & training event (meet with NASCO staff and co-ops from around the country) with NASCO Board meeting in Davis; brainstorm building design and organizational options. (25 hours)
<i>Week 07.</i>	12-18. Jim returns to Ann Arbor. Create timeline to revise meal plan and labor system. Review goals & objectives, revise scope of work as necessary. Holly Jo returns to Santa Barbara. (25 hours)

Week 08. 19-25 Bylaw and Policy revisions completed.

Week 09. Begin fundraising for turnaround effort (deferred loan fundraising.) Interview and hire Davis intern for summer and fall organizing assistance. Continue recruitment.

March
 Continue work on meal, labor, and governance systems. Continue recruitment. Begin fundraising for turnaround effort (deferred loan fundraising). Interview and hire Intern for summer and fall organizing assistance.

23-29 UC-Davis SPRING BREAK

April
 Finalize any legal changes necessary/gain agreement from lenders as necessary. Continue summer/fall recruitment. Staff and Managers Conference.

(May
 Future Leaders Conference in D.C.)

June 15
 UC-Davis Spring Quarter Ends

July-Aug
 NASCO assumes control/ownership at start of summer. Inter starts. Physical and organizational changes initiated.

Sept 26
 UC-Davis Fall Quarter begins

October
 Real start up of cooperative. Big hoopla/celebration. Balloons. No chickens.

Proforma Budgets
 Pacifico Co-op, Davis, California

CAPITAL BUDGET

USES OF FUNDS

Property Acquisition - assume the following loan balances:

First Northern Bank	30	7.00%	796,650
First Northern Bank	30	6.98%	1,239,761
First Northern Bank/AHP	30	0.00%	250,000
City of Davis	30	6.00%	323,760
City of Davis	30	3.50%	642,000
Co-op Total Living (Kyoto)	25	8.00%	446,339
Renovation			13,000
First year rent credits			12,600
Intern - 12 months, part time			2,835
amount to cover initial losses			75,936
NP Legal			3,500
Maintenance reserve			10,391 2% of gross rents
Operating reserve			0 2% of gross rents
Misc. and contingencies			6,738
Total uses			3,823,510

SOURCES OF FUNDS

3,800,000 Assumed appraised value of new property

<u>Assumed loans</u>	<u>Amort.</u>	<u>Rate</u>	<u>Balance Due</u>	<u>Payments</u>	<u>lien</u>	<u>Payment</u>			
						<u>Pmts yr 1</u>	<u>Pmts yr 3</u>	<u>Pmts yr 3</u>	<u>Pmts yr 4</u>
First Northern Bank	30	6.98%	796,650	66,177	1st	66,177	66,177	66,177	66,177
First Northern Bank	30	6.98%	1,239,761	100,438	1st	100,438	100,438	100,438	100,438
First Northern Bank	30	0.00%	250,000		5th	0	0	0	0
City of Davis	30	6.00%	323,760	26,980	2nd	26,980	26,980	26,980	26,980
City of Davis	30	3.50%	642,000		4th	payments shown seperately - from cash flow			
Co-op Total Living (Kyoto)	25	8.00%	446,339	40,768	3rd	40,768	40,768	40,768	40,768
Co-ops/deferred payments*	30	8.00%	125,000	11,006				11,006	11,006
<u>Equity sources</u>									
NASCO/NASCO Properties funds		0.00%	0						
Total Sources			3,823,510			234,363	234,363	245,369	245,369

Renovation budget:

Minor improvements to common areas	8,000
Common area furniture	5,000
Total estimated for renovation	13,000

*Suggested sources of loans with deferred pmts:	
NASCO Development Fund	50,000
Kagawa Fund	15,000
USCA	15,000
CCDC	15,000
Riverton	15,000
College Houses	15,000
Total	125,000

All unsecured, with side agreement to share any loss.

Operating Budget

Inflation rate: 3.00%
 Mbr. charge Increase: 2.00%
 Major Maint. And Maint. Reserve increase 20.00%

97 number of rooms
 112 number of members

	<i>Estimated vacancies</i>	35%	25%	10%	5%	5%
Income/lease charges	Year 1	Year 2	Year 3	Year 4	Year 5	
Total gross lease charges	519,240	529,931	540,529	551,340	562,367	
Vacancy Cushion (including reductions in rates)	(181,734)	(132,483)	(54,053)	(27,567)	(28,118)	
Core group credits(first year only)	(12,600)					
From development budget for rent credits	12,600					
Net income from charges	337,506	397,448	486,476	523,773	534,248	
TOTAL INCOME & TRANSFERS	337,506	397,448	486,476	523,773	534,248	
Expenses/Qumbya						
Management and Overhead (12%)	62,309	63,592	64,864	66,161	67,484	
Taxes	3,818	3,933	4,051	4,172	4,297	
Insurance	25,000	25,750	26,523	27,318	28,138	
Water, sewer, garbage, gas, electricity	44,711	46,052	47,434	48,857	50,323	
Transfer to Development Trust Account			15,120	17,100	19,200	
Payout of CCDC Success fee (Note 1)			20,000	20,000	20,000	
Minor Maintenance and grounds	20,000	20,600	21,218	21,855	22,510	
Major maintenance	7,000	8,400	10,080	12,096	14,515	
Maintenance reserves	5,000	6,000	7,200	8,640	10,368	
OPERATING EXPENSES & TRANSFERS	167,838	174,327	216,488	226,198	236,835	
NET OPERATING INCOME	169,668	223,122	269,988	297,575	297,414	
Regular Debt Service (see above)	234,363	234,363	245,369	245,369	245,369	
TOTAL EXPENSES & TRANSFERS	402,201	408,689	461,858	471,568	482,204	
Net income (used to pay down City loan #2)*	-64,695	-11,241	24,619	52,205	52,044	
DEBT SERVICE COVERAGE	0.72	0.95	1.10	1.21	1.21	