

[The following article was written by Abraham Kazan, one of the original sponsors of the Amalgamated Housing Cooperative. Kazan was the first and long time President of its Board and an organizer of many of the early limited equity co-ops in NYC. The Amalgamated Housing Co-op served as a successful model that was copied by virtually all the limited equity co-ops that were developed in NYC and the US afterward.]

The Birth of the Amalgamated Housing Corporation*

by Abraham Kazan, 1957

After a titanic struggle which had lasted four years, World War I came to an end in 1918. The effects of this struggle in the field of housing only began to be acute in subsequent years. The cessation of construction during the war years was not immediately felt due to the fact that large numbers of the population were engaged in combat and fewer marriages were taking place. On the return of the men from the armed forces, the demand for housing grew; the shortage was soon evident and the cost of rent began to increase.

In the City of New York, the strong demand for housing resulted in a wave of real-estate speculation. City inhabitants living in multiple-family buildings found at the end of almost every month that ownership had changed hands. With new ownership came an increase in the rentals, based on the new price placed on the property. Tenant-protest groups were organized; a wave of rent strikes resulted. The courts were busy hearing claims of non payments of rent. The housing situation for a large segment of the population became desperate. No constructive proposals were being made to alleviate the problem.

The New York State Legislature and Governor Alfred E. Smith took notice of the drastic shortage of shelter. To stimulate the construction of additional housing, the Legislature reduced the taxes on new housing to the extent of \$1000 per room for a period of ten years. In 1926, the governor was responsible for the introduction of a new housing act, providing a state-controlled bank to finance low-rental housing. This bill, greatly watered down, was finally passed. It set up a State Board of Housing consisting of five members appointed by the governor; it permitted municipalities of 1,000,000 population or more to grant partial tax abatement on the new housing improvements for twenty years, in return for which the sponsors would agree to limit the rental to \$12.50 a room per month in Manhattan, \$11 in the Bronx, Brooklyn, and Queens, and \$9 in Richmond. The sponsor also had to limit his return to 6% and agree to have the project under the control of the State Board of Housing.

At about this time, a group of members of the Amalgamated Clothing Workers' Union were meeting to find a solution to their immediate housing problems. The gathering point was the Amalgamated Credit Union office. Here, most of them met once a week to approve the applications that were made for loans by members of the Credit Union. Gradually, they learned that they could be their own bankers. What they did not know at that time was how to be their own landlords. They knew that it takes a large sum of money to own a big house and to be the landlord of thirty, forty, or fifty tenants; none of them had much money. From their discussions, they concluded that perhaps thirty, forty, or more people, jointly, could put together that much money, and become their own landlord. They could also see that those who were willing to join, but could not raise their share of the money, could borrow the funds from the Credit Union.

The cooperative idea took root. The A.C.W. Corporation was organized for the purpose of finding a way to build housing for all those who wanted to join without the risk of having the rent increased beyond the ability of the tenants to pay and without the risk of being evicted.

A committee was selected to study the matter. Various ideas were considered. Some wanted to see two family houses built; others saw only the possibility of buying an old house and converting it for the use of the members. Still others wanted to see a new development built to meet the requirements of the member-cooperators. Some wanted the new development in one borough; some in another. However, there was agreement that the new location had to be so situated that it would be near the open spaces, parks, and trees where their families could enjoy plenty of fresh air, and generally convenient to places of employment.

A site adjoining Van Cortlandt Park in the Bronx, the largest public park in New York City, was chosen as the spot where the housing community would be built. Van Cortlandt Park to the north, Mosholu Parkway to the east, and the Jerome Park Reservoir to the south made this an ideal location.

Initial Planning and Financing

The group managed to put together \$5000 to pledge as a deposit on the land. The initial plans called for the building of 303 units. Undertaking the construction of a development of this size, involving a cost of approximately \$2,000,000, was not a simple matter. At no time did anyone in the group expect to be able to pay for the entire cost of his apartment. A mortgage was to be secured to provide the greater part of the construction cost. The questions were who was going to lend such a group such as this a million dollars or more on a venture that had not been tried; what would happen if construction was started and there were not enough funds to finish the project; what if the costs were eventually much higher than anticipated; and what if the carrying charges turned out to be too high for the members to pay. The pioneers of this group spent sleepless nights going over these problems. A way had to be found to give this new organization financial standing in the community.

The acute shortage of housing in New York City was little by little attracting the attention of some of the leaders of progressive labor unions. Conferences were held at the suggestion of a well-known architect; they were attended by the representatives of the Amalgamated Clothing Workers' Union, as well as several other labor organizations including the International Ladies' Garment Workers' Union. At the request of Sidney Hillman, the president of the Amalgamated Union, the writer attended these conferences as an observer. He also attended the hearings in Albany on the proposed housing act. Not being fully satisfied with the constructiveness of these conferences, he reported his findings with the recommendation that the Amalgamated Clothing Workers' Union, as an organization, become the sponsor of the planned housing project at Van Cortlandt Park. He also suggested that the proposed cooperative take advantage of provisions in the newly-created State Housing Act. Before very long, it was decided that the A.C.W. Corporation remain as the construction company and the Amalgamated Housing Corporation, a new corporation, would take over the project when completed. This marked the entry of the Amalgamated Clothing Workers' Union into the field of housing. The writer, then an employee of the Union and president of the A.C.W. Corporation, was placed in charge, as president, of the newly-organized Amalgamated Housing Corporation.

Financial Structure

The State Housing Act of 1926 [now Article IV of the Private Housing Finance Law] provided that a limited-dividend company organized under that act must limit its financial structure to one mortgage paying not more than 5 % and not exceeding two-thirds of the cost of the project, or the appraised value, whichever was lower. Amalgamated Housing became the first limited-dividend company and had to comply with these regulations. Instead of the original investment of \$200 per room as we had intended, each cooperator was asked to invest \$500 (the estimated cost was \$1500 per room).

This created a serious problem for many of the prospective cooperators who were unable to supply the required equity. The Amalgamated Union and the Amalgamated Bank came to the assistance of these members. An arrangement was made to have the Jewish Daily Forward, a progressive labor newspaper in the city, pledge \$150,000 with the Bank as a credit fund. This enabled the Amalgamated Bank to extend loans to prospective cooperators up to 50% of the total required-at a low-interest rate, and permitted them to repay this loan over a period of ten years. Some members were able to repay the loan in a short period by availing themselves of the opportunity to make loans through the Credit Union.

With one-third of the estimated cost of the project supplied by the member-cooperators it remained only to secure the mortgage loan. This, however, did not come about too easily. None of the insurance companies or savings banks were ready and willing to take a chance and lend \$1,200,000 to a group of 303 tenant-owners. Metropolitan Life Insurance Company finally granted the loan, but only after a great effort was made by President Hillman. To satisfy the mortgagee, the Union had to guarantee to the insurance company the completion of the project. This however did not end the financial problem of this housing cooperative! The estimated cost of land and buildings, as envisioned, was to amount to \$1,800,000. The actual cost, however, amounted to \$1,925,000. The Jewish Daily Forward again came to the assistance of the housing cooperative. A temporary loan was arranged and it took several years before it was completely repaid.

Completion of First Units

November 1, 1927, marks the day when the first handful of tenants moved into the almost completed buildings 4 and 5. It did not matter that the stairs leading to the entrances of those buildings were not finished. The utility company was not quite ready to hook up its wires and there was no light. To make matters worse, a penetrating cold rain continued during the entire day and turned the soil all around the garden into a sea of mud. But all these inconveniences did not dampen the spirit of the member-cooperators. They had waited too long to postpone their taking possession of the apartments for another week, or even another day.

During the long year, when construction was under way, most of the members spent every free day at the site watching the buildings rise. Similarly, this was a exciting period for those charged with the responsibility of seeing the project completed. Lacking the technical knowledge of construction we had to engage the assistance of others. Within four months, all the 303 member-cooperators had moved into their new homes.

The first group of buildings of the Amalgamated cooperative community consisted of six buildings, five stories in height. Five of the buildings were grouped around a long city block bounded by Saxon, Sedgwick, and Dickinson Avenues. The sixth building was situated on the block front from Saxon to the present Hillman Avenue. The buildings were designed by the late architects, George W. Springsteen and Albert Goldhammer.

In planning the development, it was our desire to provide cross ventilation in every apartment and to see that all the inhabitants had privacy. To accomplish this, twenty-nine separate staircases were provided. Each entrance led to either nine or fourteen apartments with two or three families on a floor. Most of the apartments had two exposures providing for plenty of sun and ventilation. Coverage by the buildings was restricted to 47.9%, thus leaving more than half of the land for gardens, walks, and open spaces. No elevators were provided; the restriction against multiple apartment buildings on the site was waived by the Radio Corporation of America, an adjoining neighbor, only on condition that no elevators be installed in the building up to the year 1955. With parks and open space on three sides, this development, after two to three years, looked like a group of buildings set in the middle of a large park and gave the impression of a college campus.

Expansion Buildings 7 and 9

The initial success of the Amalgamated Housing's venture was hailed by our friends as a bold stroke to solve the housing shortage. Editorially the New York newspapers gave a great deal of well-deserved credit to the Amalgamated Clothing Workers' Union. The Union's pioneering efforts to assist the wage earner obtain decent housing at a reasonable price were widely acclaimed. The self-help characteristics and the advantages of cooperative housing were at first recognized only by a few. Eventually, however, the general public, caught in the acute housing shortage, began to understand that the Amalgamated Housing Cooperative demonstrated what could be done if a group of people learned to work together.

Before the first year's operation was completed, several hundred applicants registered for any possible vacancies. The low rental and the extremely attractive location appealed to a large number of people in need of housing.

Plans were immediately made to add another building. A parcel of land fronting on Van Cortlandt Park South between the present Hillman Avenue and Gouverneur Avenue was assembled. With no restrictions to contend with, this building was laid out in a fashion similar to the first block but with eight elevators. Some sections of the building were seven stories in height, others only six. Construction started immediately after Metropolitan Life Insurance Company agreed to supply the mortgage loan. With the assistance of the Amalgamated Clothing Workers of America a temporary construction loan of \$200,000 was obtained from the New York Trust Company.

Encouraged by the success accomplished thus far, the management of the project began to form plans for continued expansion. To avoid the possibility of any other organization being able to put up a building between our co-op buildings on the park side leading to Broadway, we acquired the contiguous land facing the park.

Another Cooperative is Organized

In 1929, news of the success of the Amalgamated development reached Franklin D. Roosevelt, then the governor of the State of New York. Aaron Rabinowitz, member of the State Board of Housing representing that body on the Board of Directors of the Amalgamated Housing Corporation, reported to the governor, in glowing terms, of the new method used to solve a portion of the housing problem in New York City. At the urging of Roosevelt, the then Lieutenant Governor, Herbert H. Lehman, and Aaron Rabinowitz volunteered to assist with the financing of a similar project in a slum area of the Lower East Side of the City. Sidney Hillman, encouraged by the results of the development in the Bronx, agreed that an example of cooperative housing on

the East Side of Manhattan might pave the way for the rebuilding of the slums of the City by others. The Amalgamated Union therefore became the sponsor of the new cooperative.

A square block of 60,000 square feet was acquired and a limited-dividend company was set up under the name of Amalgamated Dwellings, Inc. Lehman and Rabinowitz agreed to help finance the construction until all the apartments were subscribed for. They also agreed to set up a fund to assist prospective cooperators who could only invest 50% or more of the required \$500 equity per room. The average carrying charges were set at \$12.25 a room per month. The development was completed in November 1930.

In the beginning, the project was rather disappointing. The early effects of the depression and the lack of understanding of the cooperative idea were obstacles almost too difficult to cope with. Gradually, however these difficulties were overcome and the building was fully subscribed and occupied.

During the time that Amalgamated Dwellings, Inc. was being built, the demand for more cooperative housing came from applicants who were interested in moving to the Van Cortlandt Park development. During this period, the cost of construction reached an almost all time low level, and the opportunity to erect another house with somewhat lower equity requirement was made possible. A plan was designed to erect a six-story building on the irregular block bounded by Gale Place, Orloff Avenue, and Van Cortlandt Avenue, to accommodate 115 families. The investment per room was set at \$425 instead of \$500. By the end of 1931, the number of cooperative apartments built stood at 856; 620 in the Bronx and 236 in Manhattan.

Organization

At the very beginning, the following basic principles were established for the organization and administration of these cooperatives:

1. Membership would be open to all without any restrictions to race, creed, or color.
2. Irrespective of the amount of his investment, each stockholder would have one vote in the affairs of the corporation.
3. Speculation was prohibited on the sale of the members' equity stock.
4. Membership was not to be confined to people from any one industry.
5. The greatest possible flexibility was permitted for the joining and withdrawal of members.
6. The individual cooperator was made cognizant of the fact that he was not the owner of his apartment, but more importantly, he, collectively with all the others, was the owner of the entire cooperative.
7. Perpetual leases were banned; instead, short-period leases were used.
8. No dividends were to be declared on the stock and refunds were to be made on the basis of the total amount paid in carrying charges during the fiscal period.
9. The sponsoring Union always emphasized that it was not the owner and did not exert any influence on the cooperatives. Its interest was the general solvency of the development.
10. There would be a program of continuous education.

These basic principles provided a firm foundation for successful operations and they have not been changed in thirty years.

The articles of incorporation provided that the Board of Directors of Amalgamated Housing was to consist of five members with one of the five representing the State of New York. In the case of Amalgamated Dwellings, the Board of Directors was to consist of nine members with one representing the State.

In order to avoid calling meetings of the Board of Directors too frequently, very often to take up only minor matters, it was agreed that in addition to the Board of Directors, a House Committee would be elected. This committee would take up any grievances arising between member-cooperators or against management. This committee would also assist management in an advisory capacity. The House Committee also had as its function the making of recommendations to the Board of Directors, either jointly with management or independently.

In the case of Amalgamated Housing, the original members of the Board of Directors consisted of individuals interested in housing but who, with the exception of its president, did not live in the community. In the case of Amalgamated Dwellings, all of the directors lived outside of the cooperative. These directors, in addition to the functions mentioned above, were responsible for the establishing of general policies for the corporation; the increase or decrease of the maintenance charge; the right to declare any rebates; and above all, the selection of the manager for the development.

This division of responsibility between the Board of Directors and the House Committee proved to be very useful to both cooperative organizations. In time, the membership at large realized its value. The original directors enjoyed the confidence of the members and were invariably re-elected as long as they were willing to serve. A few have served the organizations continuously since their inception.

The size of the Board of Directors has been increased and cooperators living in the community have been added and have taken the places of directors who retired.

The success of these housing cooperatives, to a large measure, can be attributed to the high caliber of the individuals who have served unselfishly and without any monetary reward as directors. It is a high tribute to the cooperative ideals and program that so many outstanding individuals from the community at large and officials of the Amalgamated Clothing Workers' of America have given so generously of their time and talents to the advancement of these cooperative endeavors.

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