Dear Secretary Mnuchin and Administrator Carranza:

We write to request that you revise current SBA guidance to clarify that residential cooperatives are eligible for assistance through the Paycheck Protection Program (PPP).

In New York City alone, there are nearly 100,000 cooperative housing units, providing affordable, middle-class housing to thousands of New York City, Long Island, and Westchester residents. These cooperatives have suffered significant financial losses due to the Coronavirus pandemic, which has hit New York City, Long Island, and Westchester particularly hard. It is becoming increasingly difficult for cooperatives to keep their employees on staff, due to lost or deferred cooperative fees from their member-owners and increases in utilities due to stay at home orders.

Similar to agricultural and electrical cooperatives, which the SBA and Treasury have specifically deemed eligible for PPP, housing cooperatives are owned and controlled by members who receive services from the cooperative and periodically return any excess of net operating revenues over the cost of their operations to their member-owners. Furthermore, most of their net operating revenue is fully committed to employing workers to operate their residential buildings—which includes cleaners, door attendants, maintenance workers, landscapers, and other essential employees. It is also important to note that owners of cooperatives actively own and live in the housing units, and therefore, the passive activity rules would not apply.

With that said, Congress enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide economic relief to small businesses and eligible non-profits during these unprecedented times, with the intent to keep their employees on staff. On April 2nd, SBA issued an interim final rule that stated residential cooperatives were ineligible for PPP loans. Yet, the Department of Treasury’s Frequently Asked Questions (FAQ) number 35 states that, “As long as other PPP eligibility requirements are met, small agricultural cooperatives and other cooperatives may receive PPP loans.” SBA subsequently issued an interim final rule on May 14th to specify that non-profit 501(c)(12) electrical cooperatives are eligible for PPP loans.

With that said, we respectfully request that you clarify the conflicting information by expounding on the response to FAQ #35, and clearly state that housing cooperatives are eligible for PPP loans and any related benefits. The PPP loans would enable these entities to continue to pay their valued employees during these uncertain times.
We thank you for this consideration and look forward to hearing from you.

Sincerely,

Nydia Velazquez
Member of Congress

Grace Meng
Member of Congress

Kirsten Gillibrand
United States Senator

Thomas R. Suozzi
Member of Congress

Alexandria Ocasio-Cortez
Member of Congress

Gregory W. Meeks
Member of Congress

Kathleen M. Rice
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Charles E. Schumer
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Eliot L. Engel
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Carolyn B. Maloney
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Yvette Clarke
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