

Profiles of a Movement: **CO-OPERATIVE HOUSING** Around the World





Profiles of a Movement: Co-operative Housing around the World

April 2012



ICA Housing is a sectoral organisation of the International Co-operative Alliance. It was established to promote the development of co-operative housing in all countries, and in particular developing countries, as an economic and social contribution to the problem of providing shelter. Our mission is to unite, represent and serve the international movement for co-operative and mutual self-help housing.

ICA Housing has members in 30 countries around the world.

www.icahousing.coop



CECODHAS Housing Europe is the European Federation of Public, Co-operative & Social Housing, a network of national and regional federations gathering 45 members in 19 member States of the European Union, as well as Norway and Switzerland. Altogether our members represent about 12% of existing dwellings in the EU.

Within our membership there are almost 35,000 housing co-operatives, varying significantly in size and number of individual members, for a total of about 10,5 million dwellings and 11 million members co-operators.

www.housingeurope.eu

CO-OPERATIVE ENTERPRISES BUILD A BETTER WORLD



Published by CECODHAS Housing Europe and ICA Housing

April 2012

Research and coordination: Sylvie Moreau, ICA Housing Consultant with the collaboration of Alice Pittini, CECODHAS Housing Europe Research Coordinator

Editing: Jane Cameron, James Thorogood, and Dominic Wood

Design: Maciej Szkopanski

List of contributors:

Austria:	Herbert Ludl and Eva Bauer, Austria Federation of Limited-Profit Housing Associations – Auditing Association (GBV)
Belgium:	Daniel Remacle, Federation of Housing Co-operatives in Brussels (FESOCOLAB), Hubert Lyben, Flemish Agency for Social Housing (VMSW), Luc Laurent, Walloon Housing Fund (FLW)
Canada:	Nicholas Gazzard, Co-operative Housing Federation of Canada (CHF Canada)
Czech Republic:	Vit Vanicek, Dusan Cechvala, Martin Hanak, Union of Czech and Moravian Republic Housing Co-operatives (SCMBD)
Egypt:	Mohamed El Mesiry, Federaion of Co-operative Housing (FCH)
Estonia:	Anu Sarnet, Estonian Union of Co-operative Housing Associations (EKYL)
France:	Vincent Lourier, Fédération nationale des sociétés coopératives d’HLM (FNSC-HLM)
Germany:	Christian Lieberknecht, Klaus Schrader, Federal Association of German Housing and Real Estate Companies (GdW)
Hungary:	Tamas Farkas, Hungarian Association of Housing Co-operatives and Condominiums (LOSZ)
India:	Dr. M.L. Khurana, National Co-operative Housing Federation (NCHF)
Ireland:	Niall O’Keeffe, Dermot Sellars, National Association of Building Co-operatives Society (NABCO)
Italy:	Stefano Pasqualini (AGCI), Antonio Perruzza (FEDERABITAZIONE), Livio Pilot (Legacoop Abitanti)
Norway:	Thor Eek, Terje Halvorsen, Co-operative Housing Federation of Norway (NBBL)
Pakistan:	Muhammad Sharif Bhajji, Karachi Co-operative Housing Societies Union
Poland:	Jerzy Jankowski, Tomasz Jordeczka, Adam Piechowski, Auditing Union of Housing Co-operatives (ZRSMPR)
Portugal:	Guilherme Vilaverde, Ana Mateus, National Federation of Housing Co-operatives (FENACHE)
Spain:	Teresa Rodríguez-Barbero Simal, Spanish Confederation of Housing Co-operatives (CONCOVI)
Sweden:	Anders Lago and Linn Matic, Association of Tenants Savings and Building Society (HSB) and MartenLilja, The Co-operative Housing Organisation Riksbbyggen
Switzerland:	Stephan Schwitter, Swiss Association for Housing (SVW)
Turkey:	Mehmet Aksoy, Serpil Aydogus, TURKKENT
United Kingdom:	David Rodgers, CDS Co-operatives
United States of America:	Roger Wilcox and the NAHC Publications Committee, National Association of Housing Co-operatives (NAHC)

Introduction	6
Austria	9
Belgium	12
Canada	15
Czech Republic	18
Egypt	22
Estonia	26
France	29
Germany	33
Hungary	36
India	39
Ireland	42
Italy	46
Norway	51
Pakistan	54
Poland	58
Portugal	62
Spain	66
Sweden	70
Switzerland	73
Turkey	76
United Kingdom	80
United States of America	85
Conclusions	91



Dear Reader,

2012 is an auspicious and significant year for the international co-operative movement. Declared by the United Nations as the International Year of Co-operatives 2012 (IYC 2012 www.2012.coop) it is a unique opportunity for us to show the general public, our members and employees the benefit of co-operatives as highly successful business enterprises that are socially responsible and care about people and the planet. We want to show that, globally, co-operatives as a form of democratic, people centred, business enterprise are highly successful.

Although co-operative housing is widespread and has an impact on the quality of life of millions of people, our housing sector is still relatively little-known. This joint report represents a first effort to present the history and the current realities of co-operative housing around the world and to achieve our key task of communicating more effectively the work of our members.

A housing co-operative is a housing business that is a consumer co-operative mutually owned by its members, which complies with the International Co-operative Alliance's (ICA) Statement of Co-operative Identity and operates in accordance with the ICA's Co-operative Principles and Values. There are different co-operative housing models in different countries, but what characterises housing co-operatives compared to other housing providers is that they are jointly owned and democratically controlled by their members, according to the principle of "one person, one vote". This has clear implications for the way they operate compared to other actors on the housing market. Co-operatives benefit not only their members but also the wider public interest.

The co-operative housing movement has a long history. The first independent housing co-operatives were formed in the mid-19th century, when Viktor Aimé Huber initiated the construction of several dwellings in Berlin. Many co-operatives which are over 100 years old still exist today and are increasingly widespread in Europe and beyond.

In some countries, co-operative housing has been historically, and still remains, an important part of the housing market. For example, housing co-operatives manage over 2,5 million dwellings in Poland, approximately 20% of the total housing stock in the country, 17% in the Czech Republic and Sweden and 15% in Norway. In many others, such as Canada and the United Kingdom the co-operative housing sector is relatively small but is an exemplar of the benefits which flow from resident-member control of housing and the neighbourhood. On average, 10% of Europeans live in housing co-operatives. They show that living in a housing co-operative provides many advantages in terms of economic, social and environmental sustainability.

Housing co-operatives often manage to provide housing at costs that are below the price of a similar home in the open housing market. The reason for this is that the prime objective of housing co-operatives is to provide good quality and affordable housing in the interests of their members, and not to maximise profit for developers or shareholders. At the same time, real estate owned by housing co-operatives or associations is less subject to speculation and represents a long-term investment, which helps keep rents and prices for co-operative housing at relatively low levels. Therefore co-operative housing is important in maintaining more varied and balanced housing markets, and contributes to price stability and affordability.

CO-OPERATIVE ENTERPRISES BUILD A BETTER WORLD



The community of a housing co-operative also offers various social advantages. Members of housing co-operatives appreciate that it is easier to find solutions to problems related to the maintenance of their buildings and the use of common space. Furthermore, they tend to have good relationships with their neighbours and are likely to become engaged in neighbourhood initiatives because they have a secure long-term perspective of their place in that neighbourhood. This can represent an important contribution to social cohesion and community sustainability.

Housing co-operatives and associations are committed to sustainable development. In some countries in Central and Eastern Europe where the conditions of the housing stock call for extensive renovation work, housing co-operatives are strongly committed to reducing greenhouse emissions by increasing energy efficiency in their buildings. Also, last November, the members of the International Co-operative Alliance supported a resolution brought to its General Assembly by ICA Housing, the global co-operative housing sectoral organisation, calling on all co-operatives to use only timber and other forest products from certified sustainable sources and adopt procurement policies and practices that honour the principle of sustainability in forestry management.

Today, housing co-operatives as well as other affordable housing providers are faced with numerous challenges, such as adapting to increasing demand for affordable housing, socio-demographic change, improving the sustainability of the housing stock and, the environmental quality of the neighbourhoods, and coping with unfavourable conditions in the financial and housing markets.

We believe that it is particularly important today, at a time of global economic and financial crisis, to focus on the strengths of our sector while at the same time innovating and exploring new ways of continuing to provide affordable, sustainable solutions to the housing needs of the citizens of Europe and the rest of the World.

We trust that you will enjoy reading this report of our housing co-operative members' work



David Rodgers

President

ICA Housing

A handwritten signature in black ink that reads "David A. Rodgers".



Vit Vanicek

President

CECODHAS Housing Europe

A handwritten signature in black ink, appearing to be "Vit Vanicek".



Luciano Caffini

Chairman

CECODHAS Housing Europe Co-operative
Section

A handwritten signature in black ink, appearing to be "Luciano Caffini".



HOUSING CO-OPERATIVES IN AUSTRIA



WOHNBAU gemeinnützige Wohn- und Siedlungsgenossenschaft registrierte Genossenschaft mit beschränkter Haftung, Vienna

History

Back in the middle of the 19th century, housing reformers concerned by the distressing living conditions and the tremendous population growth paved the way for the birth of limited-profit housing associations. Since then housing and social issues have been linked together and co-operative initiatives from neighbouring countries were propagated in Austria. The oldest remaining active housing co-operative in Austria was founded in 1895. At that time, there was no state support for the co-operative movement either generally nor specifically for the housing sector. Housing co-operatives developed out of individual efforts to satisfy housing needs. The first limited-profit housing development company was established in 1907 and still operates to this day. The Public Jubilee Fund "*Kaiser Franz Joseph 1 Regierung-Jubiläumsfonds*" established in 1908 by imperial sanction was the first public funding system of housing in Austria. Two years later the "*Wohnungs-Fürsorgefonds*" (Housing Welfare Funds) already had the essential components of actual Austrian housing policy, such as limited profit shares, reasonable rents, tying-up of assets and government auditing. From then on, state interventions took place for the benefit of the Austrian society.

Context

As a result of the long-term government support for housing, "every sixth inhabitant of Austria lives in an apartment built and/or managed by a limited-profit housing association today". Two essential elements of the Austrian housing policy should be noted: state financial support and a competent and dedicated limited-profit sector.

Constant government housing intervention is required in Austria. Even higher income families do not have the financial capacity to finance the buying of their dwelling over their active work life. For that reason, the Austrian government has set aside essential financing mechanisms and enacted legislation to regulate the security of tenure and rent control. These housing interventions address the needs of a broad spectrum of the population, larger than just low-income groups.

On the other hand, the Austrian government can count on a competent limited-profit sector that has built one fifth of the Austrian

STATISTICS

Population: 8,390,000 (2010)

Total housing stock: 4,200,000 dwellings (estimation Eva Bauer)

Total social (rental) housing stock: 23% of total housing stock (CECODHAS 2012 Housing Europe Review)

Total co-op housing stock: At the end of 2010, 99 housing co-operatives with 368,000 housing units representing 8% of the total housing stock and 15% of the total multi-family-housing stock divided into:

- 255,000 rental units (15% of the total rental housing stock)
- 113,000 owner-occupied units (21% of total owner occupation housing stock)

People: 461,000 individual members (End of 2010)

The limited-profit housing companies' portfolio is also part of the Austria Federation of Housing Co-operatives. At the end of 2010, there were 94 limited-housing companies for 427,000 units representing 10% of the total housing stock and 18% of the total multi-family-housing stock divided into:

- 293,00 rental units (16% of the total rental housing stock)
- 133,000 owner occupied units (25% of total owner occupation housing stock).

dwellings since 1945. The remarkable growth of the portfolio should be noted when compared with figures from 1970 when the Austrian housing co-operatives counted only 150,400 members.

Today housing development in Austria is going through several changes. The central state, previously distributing specific financial allocations for housing development, has changed its practice which has created uncertainty with respect to future development. The specific housing budget is now integrated in the general budget of the provinces leaving the latter to decide on how much they will spend on housing. Moreover the provinces are facing financial restrictions since the last economic and financial crisis as shown by a decrease of 25% of public funds allocated in 2010. Austria is nevertheless facing a very high housing demand due to a high level of immigration. It is clear that the Austrian housing development system will need to adapt to the new reality.

Description

Key characteristics of the Austria housing co-operatives are:

- They build housing for rent or for sale (owner occupation) for their members. Activities of the housing co-operatives are limited. The assets are tied to housing projects and their own



WOHNBAU gemeinnützige Wohn- und Siedlungsgenossenschaft registrierte Genossenschaft mit beschränkter Haftung, Vienna

funds must be reinvested into the housing sector.

- They must comply with a regular audit on effectiveness, economy and usefulness.
- Limited-profit housing co-operatives (representing the majority of the federation), must comply with the Limited-Profit Housing Act regulations, which state:
 - Rents are fixed to cover the appropriate cost of land, construction, administration and financing. The rents include an amount dedicated for repairs and long-term maintenance. The rents charged must be justifiable and tenants and member-owners can request an assessment if in doubt over the appropriateness of the amount charged. Once the loans are repaid, the rents are regulated.
 - Sale price for owner-occupied dwellings is also regulated.
 - Member contribution in the case of withdrawal and liquidation is reimbursed at nominal value.
 - Profits are limited (ceiling for interest rates on own funds).
 - They have an obligation to build housing. They need explicit permission from the provincial government to interrupt their building activities.
 - Housing co-operatives must comply with an audit process that evaluates financial performance, profitability, management and compliance with obligations. Federal

provinces approve the annual auditing report and define sanctions in the cases of non-compliance.

- Housing co-operatives can have access to public financing for specific projects; about 90% of their projects are assisted by public means. The units allocated through these projects must comply with the obligations determined by the Housing Promotion Schemes which are:
 - Application of income limits for future tenants and owner-occupied members.
 - Allocation of some units to public authority referrals (some housing co-operatives).
- Limited housing co-operatives are exempt from corporation tax (taxation on income).

Financing

In Austria, state intervention in housing development is significant. Public funds are available through an elaborate system of "*Housing Promotion Schemes*" whose goals are to ensure sufficient good quality housing, to provide investment capital and to make it affordable to people. The subsidies provided are direct object-specific, meaning that the financial assistance is given directly to the housing co-operatives and is geared towards the construction costs as opposed to the subject-specific subsidies, which are directed to individuals. Financial assistance includes:

- Long term and low interest rate public grants or mortgages that cover between 20% to 60% of the construction costs.
- Annuity grants/loans granted either instead of the loan for the construction costs or in addition to such loan to reduce the repayments of mortgages.

Other assistance includes:

- Housing allowances based on income and size of household. (Only 6% of households receive housing allowances in Austria – a very low figure compared to other European countries).
- A homebuyer program is available to all individuals to help toward the acquisition of a dwelling of any type.



FAMILIE gemeinnützige Wohn- und Siedlungsgenossenschaft registrierte Genossenschaft mit beschränkter Haftung, Vienna

Legal Framework

The legal instruments for the co-op housing sector are:

- The Co-operative Act and the Act of Co-operatives' Auditing (Revision) set the co-operative' organisational rules, including their business conduct.
- The Limited Profit Housing Act sets the regulations regarding the conduct of housing co-operatives that are registered as limited-profit housing. The legislative framework falls under the Federal Government's jurisdiction and the Provincial Governments are responsible for its execution. Specific guidelines for auditing, pricing, business conduct, financial statements are described in the several decrees pertaining to the Act.
- The Housing Promotion Schemes impose rules to subsidised housing co-operatives.

The general housing legislation, as stipulated in the Rental Act and the Act of Home Ownership, also influence the housing co-operatives management as they regulate rental contracts, rights and obligations of landlords and tenants, shares, etc.

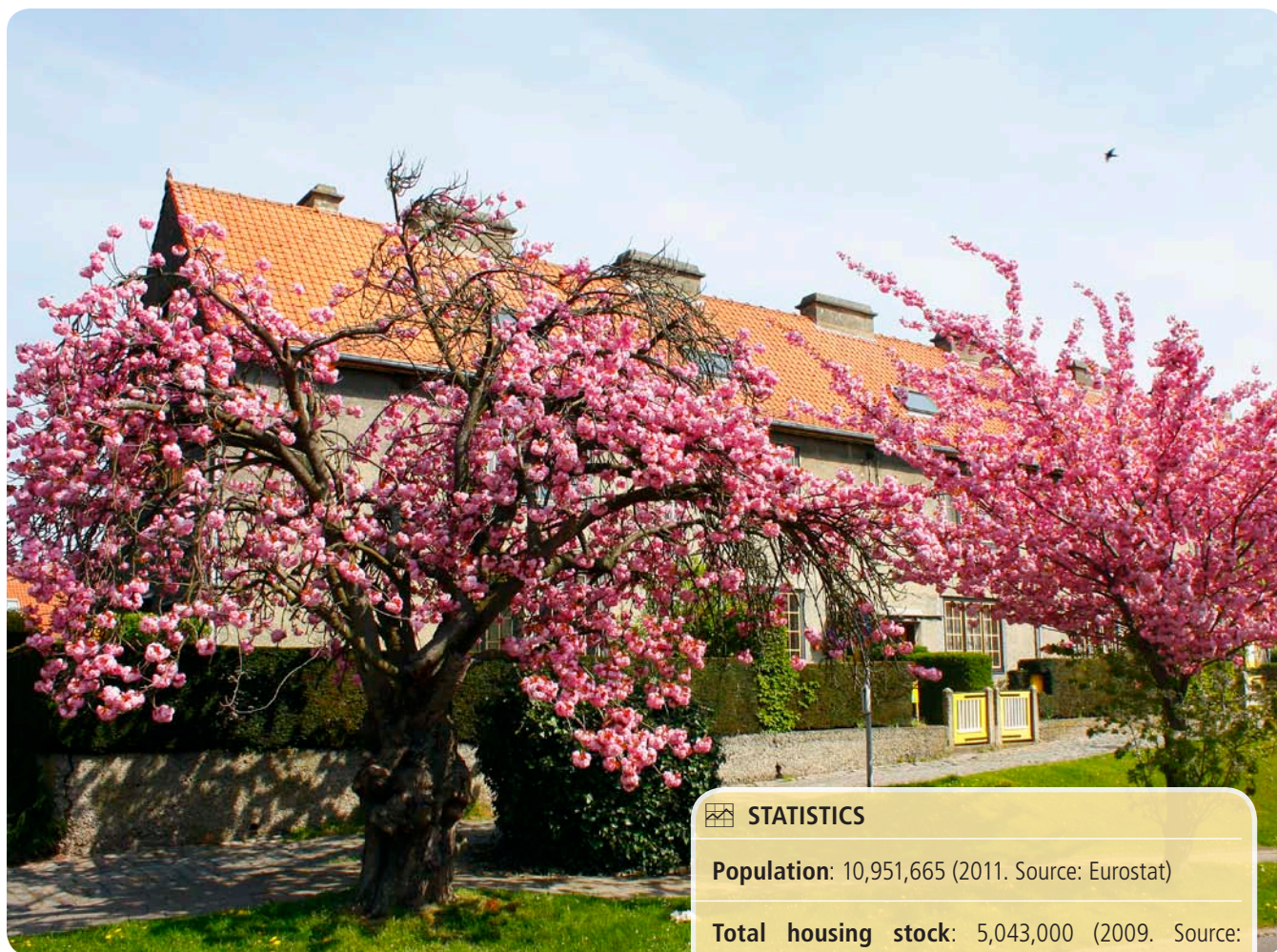
The Co-operative Housing Movement

In Austria, the non-profit housing sector, whether housing co-ops or limited-profit companies, are united under one single organisation, the Austrian Federation of Limited-Profit Housing Associations – Auditing Federation (GBV). Their membership in the federation is mandatory. GBV membership, which totals 193 members and includes 795,000 housing units (rental and owner occupied), represents 18% of the total housing stock and 33% of the total multi-family-housing stock in Austria.

The organisational structure includes provincial groups with an advisory function, an executive board of 4 persons that governs the day-to-day business, a supervisory board where each provincial group is represented, a conference of 53 delegates and the annual federal convention. The federation is an independent organisation from the state and it plays three roles: member representation, advocacy and auditing.

For more information, visit: www.gbv.at (German and some information in English)

HOUSING CO-OPERATIVES IN BELGIUM



Floréal/le Logis, Watermael-Boitsfort (Brussels).

History

The first housing co-operatives in Belgium were established in the aftermath of the First World War, at a time of severe housing shortage and need for construction of new affordable homes. Several groups of people coming from different social and professional backgrounds (public servants, workers, employees, trade unionists...) decided to join forces in a common effort to create mutual housing solutions. Their joint effort resulted in the creation of housing with collective ownership, in the form of co-operatives whose members were guaranteed a dwelling for life while remaining tenants.

To tackle the urgent need to build at least 200,000 new dwellings, the sociologist Hector Denis studied a bill aimed at overcoming the housing shortage and enhancing living conditions of a large share of the population living in unsanitary housing in urban neighbourhoods. Upon the initiative of Joseph Wauters, ministry of employment at the time, a law was passed in 1919 and resulted in the creation in 1920 of the *Société Nationale des Habitations et Logements à Bon Marché* (National Agency for Affordable Housing, SNHLBM). The newly created public agency's mission was to bring together existing initiatives and to coordinate the development of housing for workers, by providing legal recognition and

STATISTICS

Population: 10,951,665 (2011. Source: Eurostat)

Total housing stock: 5,043,000 (2009. Source: Housing Europe Review)

Total social (rental) housing stock: about 7% of total housing stock

Total co-op housing stock: about 11,000 dwellings

finance (through long term loans at reduced rates) to social housing companies, including co-operatives.

In Brussels –where the co-operative housing model became most widespread compared to other Belgian regions, about half a dozen social housing estates in the form of co-operatives were established in 1921–22, based on the model of British garden cities. The majority of dwellings were let to members of the co-operatives and a smaller part of the stock would be available for sale (always to members of the co-operative). Garden cities were developed on low priced building land in the outskirts of the capital, using construction techniques which were relatively cheap but innovative. The *cités* included collective facilities (such as schools, health centres, shops...) as well as cultural premises, aimed at reinforcing social cohesion and solidarity (sport centres, conference halls, libraries...).

Garden cities marked the start of the process of urbanisation of peripheral areas around Brussels. Therefore significant investment was necessary to provide the required infrastructures and transports. Changes in the political leadership, coupled with the interruption in payment of war reparations by Germany (part of which had been allocated to support the development of such estates), led to abandoning this model in 1925. Nevertheless several garden cities still exist today in Brussels and are listed as historical architectural heritage. They are managed by housing co-operatives, the majority of which are affiliated to the *Fédération des sociétés co-opératives de logement à Bruxelles* (Federation of housing co-operatives of Brussels, FESOCOLAB, see below).

A new 'wave' of co-operative housing construction occurred right after the end of World War Two, but on a more limited scale.

In 1959, SNHLBM was turned into *Société Nationale du Logement* (National Housing Agency). Rather than on workers housing, policy now shifted towards 'social housing' and public assistance. Revenue generated by economic growth allowed the state to provide support to a wide share of citizens in need and led to the adoption of extensive welfare state programmes including in the housing sector, with a significant investment in social housing.

On the contrary, during the 1980s limited availability of public resources meant a drastic reduction in construction programmes, particularly for co-operatives. Furthermore, the process of decentralisation and transfer of competences to regions which started in 1980 was rather slow and difficult. For over a decade, the social housing sector suffered from lack of financing as well as regulation, until the establishment of new competent regional bodies and programmes from 1989–1990.

Context

Since 1990 social housing is a regional competence. Currently the sector represents about 7% of the total national housing stock (with differences between regions: approximately 6% in Flanders and Wallonia, 8% in Brussels), against 68% of owner-occupied housing and 25% private rental sector.

Summarising as much as possible the variety of actors involved in social housing provision in Belgium: each Region has established a public regional housing company, the *Société du Logement de la Région de Bruxelles-Capitale* (Brussels-Capital Housing Agency, SLRB), *Société Wallonne du Logement* (Walloon Housing Agency, SWL) and *Vlaamse Maatschappij voor Sociaal Wonen* (Flemish Agency for Social Housing, VMSW). Social dwellings are allocated on the basis of income ceilings combined with the household size and urgency of demand, and the amount of monthly rent paid depends on the income of the tenant.

Also to be mentioned as part of the social housing system is the Walloon Housing Fund (*Fond du Logement de la Wallonie*, FLW) which is a limited liability co-operative society established in 1980. Its role is mainly to provide social loans for access to home ownership to vulnerable households, to buy/renovate privately owned dwellings to be rented as social housing, and to coordinate a number of non-profit associations working on housing-related services. Entities with similar objectives exist also in the other regions. They were established to carry out at regional level the activities of a former national body, the Belgian Housing Fund created in 1929.

Finally, social housing is integrated within the local system of welfare provision, and therefore social housing companies work in close cooperation with municipalities and local public bodies.

Current challenges for the social housing sector in Belgium include an effort to increase supply, as well as the need to enhance energy efficiency of the housing stock. Indeed, due to the continuous increase in energy prices and willingness to enhance environmental sustainability, social housing companies are increasingly investing in energy efficiency measures in new and existing stock.

Description

Flexibility in the creation and functioning of co-operatives in Belgium has led to the establishment of a number of companies and associations under this legal form. In the housing sector, we can find different types of co-operatives:

- Social housing co-operatives created by public authorities who own the large majority of the capital and where tenants are not members of the co-op. In Brussels for instance, out of a total 33 social housing companies, 28 are legally established as co-operatives, but only 11 of them are collectively owned by tenants while the others are mainly owned by local authorities (the remaining 5 are public companies).
- Credit co-operatives extending loans to buy a social dwelling (constructed by third parties).
- Recently established co-operatives whose aim is to buy existing dwellings renovate them and let them at moderate rents. Existing examples of this type of co-operatives mainly consist of not for profit associations which join together in a co-operative, whose members are the associations themselves and not the end-users. Literature suggests that they are new pilot experiences and still limited in scope.
- Tenants' co-operatives which are self-managed and whose social capital is owned by tenants-members. Only these types of co-operatives should be fully considered as housing co-operatives because of the ownership structure and democratic control by users.

Tenants' co-operatives are responsible for the creation of about 11,000 social housing units, about 6,500 in the Brussels-Capital region, 3,000 in Flanders and 200 in Wallonia. They manage a relatively small, housing stock compared to the total social housing sector in Belgium, which accounts for about 250,000 units (about 7% of the total housing stock). Furthermore, in the Flemish Regions there are almost no tenants' co-operatives left today, following a process of merging social housing providers into bigger not for profit companies. In Flanders there are



Floréal/le Logis, Watermael-Boitsfort (Brussels).

currently only two tenants' co-operatives, the only difference from other social housing companies (which have taken the form of co-operatives or public limited companies with a social mission) being in the shareholders composition.

Some tenants co-operatives existed as well in the Walloon region until the end of the 1990ies, characterized by the fact that tenants as well as candidate tenants were members of the co-operative and the participated to its management. This model was nevertheless abolished by the Walloon Housing Code adopted in 1998. On the contrary, in the Brussels Region on a total 33 social housing companies, 11 are tenants' co-operatives. They manage about 6,500 housing units, corresponding to a third of the total social housing stock in the capital.

Tenants' co-operatives are part of the social housing sector: tenants are households on low incomes who are registered on social housing waiting lists, and co-operatives receive the same kind of public funding as other types of registered social housing companies. The difference between a tenant co-operative and a public social housing company is that the tenants are at the same time shareholders and contribute to the capital. This financial contribution by tenants is usually a limited amount but it gives them the possibility of actively participating to the general assembly and to elect their representatives in the management board.

The federation FESOCOLAB in the Brussels region has also launched a project creating owners' co-operatives, in order to respond to the needs of the tenants when their income increases. They are referred to as 'new co-operatives of home-owners' and they consist of affordable (intermediate) housing units within the social housing estates. Members of the co-operative leave their rental unit which becomes available to be allocated to people on lower income. They contribute with a down payment of 10% of the construction cost and can benefit from aid from the region and mortgage loans for which FESOCOLAB negotiates favourable conditions. The member is entitled to an ownership right to the dwelling, based on a lease which can vary from 27 to 99 years. It's a relatively new and small scale experience, and existing projects range from 6 to 24 units.

Financing

Social housing provision is mostly financed by funding from the regional budgets. The Regions allocates subsidies and loans, which are in turn managed respectively by SLRB, SWL and VMSW and distributed to social housing organisations on the basis of annual programmes. Usually public support for construction and renovation takes the form of long-term loans at discounted rates.

Legal framework

Each of the three Regions (Brussels-Capital Region, Wallonia and Flanders) has established its own Housing Code, which establishes the right to housing and defines the concept and scope of social housing provision.

- *Code Wallon du Logement* – Walloon Housing Code (1998, revised in 2003, 2005 and 2006)
- *Code Bruxellois du Logement* – Brussels Housing Code (2004)
- *Decreet Houdende de Vlaamse Wooncode* - Flemish Housing Code (1997, latest revision in 2012).

Although social housing is a regional competence, the right to housing is guaranteed for all Belgian citizens by the Constitution, which states in article 23 that '*everyone has the right to lead a life in conformity to human dignity [...] including the right to decent housing [...]*'.

Tenants co-operatives – like all other types of co-operatives – are regulated by Company Law *Code des sociétés*, which does not recognise other types of companies other than commercial companies.

The co-operative housing movement

FESOCOLAB – The Federation of housing co-operatives in Brussels is an association that brings together nine tenants' co-operatives, created in 1921–22 and 1949–50.

FESOCOLAB defends the interests of tenants in some 5,600 social housing units. The tenants are also full members of the co-operative and take part in the decision-making process. It is for this reason that they become members of the co-operative.

For further information visit: info@fesocolab.be

HOUSING CO-OPERATIVES IN CANADA

MARCH 2012



Athletes Village Housing Co-operative, Vancouver, British Columbia

STATISTICS

Population: 34,605,300 (October 2011)

Total housing stock: 12,437,470 comprising 8,509,780 owned, 3,878,500 rental and 49,180 aboriginal housing (Canadian Housing Observer 2010)

Total social (rental) housing stock: 5% of total stock equating to 613,500 units in 2010 (Canadian Housing Observer 2010)

Total co-op housing stock: 2,339 housing co-ops have built 96,742 units, representing less than 1% of total housing stock (CHF Canada and CQCH - QC, 2012)

People: 250,000 people live in housing co-operatives

History

Housing co-operatives in Canada date back to the 1930s when, among other co-operative initiatives, the Nova Scotia Antigonish Movement promoted co-operatives that built houses for their members. When construction was complete, the houses were sold to members and the housing co-operatives were dissolved. Similar building co-operatives were formed in Quebec between the wars.

The student movement introduced the housing co-operative model prevalent in modern Canada, continuing rental housing co-operatives. Almost all Canadian housing co-operatives are set up so that member-residents own the co-op collectively but don't hold equity in the assets.

The first student housing co-operative was founded in 1913 in Guelph, Ontario and the first family housing co-op opened in 1966. Both are still operating. An organised political lobby began in the 1960s to win government support for co-operative housing. Social activists wanted the Canadian Government to finance the development of continuing non-profit housing co-operatives that could offer affordable rents to Canadians on low and moderate incomes. In 1968 a number of socially progressive groups formed the Co-operative Housing Foundation of Canada (CHF Canada) to organise lobbying. Their work paid off. From 1973 to 1992 the Government helped to finance the building of thousands of housing co-operative units through three successive programmes.

From the mid-1980s onwards, the three largest provinces in Canada – Quebec, Ontario and British Columbia – also set up their own development programmes to finance housing co-operatives. During these years, the co-operative housing movement surged forwards with the emergence of regional associations of housing co-ops and co-operative development groups. These organisations

worked closely with CHF Canada to develop education, development and management services to a growing universe of Canadian housing co-ops.

In 1992 the Canadian Government cancelled the last of the federal co-op housing programmes. The province of Ontario cancelled its own programmes in 1995 and British Columbia's modest programme, which began in the early 1990s, was terminated in 2001. Only Quebec has continued to sponsor housing co-op development, through unilateral programmes and by taking advantage of modest cost-sharing dollars for housing from the Canadian Government under a programme that began in 2002. However, parallel cost-sharing arrangements in the other provinces have not resulted in new housing co-ops. Apart from Quebec, the provinces – which now have constitutional jurisdiction over housing – have not chosen to apply these federal contributions to new housing co-op development.

In 2005 the Co-operative Housing Federation of Canada entered into an innovative partnership with the federal government to assume – through the arms-length Agency for Co-operative Housing (www.agency.coop) – the administration of the federal government's co-op programmes. Although there has been no development under these programmes for 15 years, the Government has long-term operating agreements in place with the co-operatives. The new agency has taken the management of these agreements under contract, using innovative programme management techniques to optimize performance.

In 2008 CHF Canada published *A History of Co-operative Housing in Canada*, which can be ordered at www.chfcanada.coop/eng/pdf/historybook_promoposterPRESS.pdf



Local 75 Hospitality Workers Housing Co-operative, Toronto, Ontario

Context

Except for a small number of “equity housing co-operatives”, virtually all housing co-operatives in Canada have received financial assistance from the federal and/or the provincial governments to make their rents affordable. But it should be stressed that the various governments do not own the co-operatives. They are independent corporations working in partnership with government.

Co-operatives are spread throughout Canada, with the largest concentrations in the three most populated provinces and the three largest cities. However, it is important to point out that several thousand housing co-operative units can be found in rural areas.

Today most housing co-operatives in Canada continue to depend on government financial support, though the contractual agreements under which this assistance is provided have ended for some co-ops and are set to end for most others within the next 20 years.

Government support has come in the form of preferential government mortgages, operating subsidies and rent assistance to low-income households. At the conclusion of their government agreements, Canadian co-ops will have paid off their initial mortgages, though they may need to re-finance to repair and renovate aging buildings. At the same time, the co-ops will receive no further government assistance and will lose the government protection for those that fall into difficulty.

This transition to independence brings challenges for the co-op housing movement in Canada; notably the continued dedication of the stock to co-operative housing purposes, the viability of the co-ops without a government safety net and their capacity to assist low-income families without government subsidies. To assist the co-operatives in this transition, CHF Canada has implemented the 2020 Vision. This process defines and invites housing co-ops to adopt high standards of operations for good governance, sound management and environmental sustainability.

Currently there are no government programs that are targeted specifically at the development of new housing co-operatives. The federal and provincial governments contribute funding through a program for the development of affordable housing, which can include co-op housing. But program conditions have not favoured co-op development, so we have seen little new co-op housing in recent years. Quebec is the exception, as it has its own program, under which a number of new co-ops have been developed for close to 30 years.

Description

Key characteristics of the Canadian housing co-operatives are:

- Permanent rental: properties belong to the housing co-operatives with no individual equity and no access to member ownership of the homes they live in.
- Non-profit: rents are set to cover immediate/long-term expenses and capital reserves. Members receive no dividends or return of surplus. Non-profit status is a requirement of the Government development programmes.
- Mixed-income communities: around 30% to 50% of all co-op households receive direct assistance with their rents.
- Diversified membership: housing co-operatives cater for families and seniors, while many have designated homes for people with special needs. Canada’s co-ops serve the housing needs of many new Canadians.
- Security of tenure: residency is protected as long as members fulfill their obligations.
- Double status of member and tenant: an applicant must be accepted as a member before being admitted as a tenant. However, some provincial laws protect the tenant status during occupancy in the event of membership exclusion.
- Democratic participation: the one-member, one-vote principle applies universally. Members are expected to engage and involve themselves in the running of the co-op.
- Modest size: the largest Canadian housing co-operative comprises 770 homes, the smallest five homes and the average around 60 homes.
- Variable management models: some co-ops hire professional staff, others retain management companies. Some are managed on a voluntary basis solely by members though, in many cases, this led to poor management outcomes and is now discouraged.
- Member deposits and shares: when provincial legislation allows, members pay either a security deposit – usually equivalent to one month’s rent – or make a refundable share purchase. According to internal rules, both are reimbursed when leaving the co-op.

A dozen student housing co-operatives also serve Canadian universities. These housing co-operatives offer different types of accommodation such as small and large group houses, dormitories, apartment complexes and townhouses for students with families. Some have been financed through different development programmes.

Financing

Financial assistance provided to housing co-operatives varies according to different government programmes. For example:

- Low-interest loans for 50 years through direct lending from the federal government's Crown Corporation for housing, Canada Mortgage and Housing Corporation (CMHC).
- Grants to reduce construction costs.
- Ongoing financial assistance to assist with operating costs, according to various formulas.
- Housing allowances to low-income members, administered by the co-operatives.

Federal or provincial housing corporations insure co-op mortgages. In many cases the federal government is the mortgage lender. All housing co-operatives have signed operating agreements with the applicable level of government of varying terms up to 50 years, though most last for no more than 35 years.

Housing co-operatives financed by the third and last federal programme used an index-linked mortgage introduced by CHF Canada from Europe. These co-ops set up a stabilisation fund through an initial contribution of 3% of capital costs. This fund provided financial assistance to housing co-operatives facing difficulties that could compromise their long-term viability and protected the federal government against mortgage insurance claims. The fund, since dissolved, was set up to last 20 years. Now, the financial assistance function is back in the hands of CMHC.

CHF Canada has also set up a risk underwriting fund and a university student co-operative housing fund to provide loan guarantees that provide short-term bridge funding to assist with the development of co-op housing and help existing co-ops in their operations.

Legal Framework

The legal instruments for the co-op housing sector in Canada are:

- Co-operative acts: these provincial acts determine the co-operatives' organisational rules and generally govern their conduct as co-op corporations.
- Operating agreements: these agreements, signed with government, determine the obligations and responsibilities of the housing co-operative and the government housing corporation.
- Tenant legislation acts: in some provinces tenancy law governs certain aspects of co-operative tenancy, in others the co-op acts apply.
- Federal tax law: The *Income Tax Act* determines the non-profit status of housing co-operatives.
- As enterprises, housing co-operatives must also comply with all laws relating to their activities in matters such as safety, employment, contracts, privacy, occupiers' liability, the environment and human rights.

The Co-operative Housing Movement

The Canadian co-operative housing movement consists of housing co-operatives, the people who live and work in them and the organisations and individuals that support and serve them. Unlike other countries, non-profit housing associations and housing co-operatives have each set up their respective movements. Even though they sometimes join together for political lobby or research projects, both movements are independent and pursue their own development.

The Co-operative Housing Federation of Canada (CHF Canada, formerly the Co-operative Housing Foundation of Canada) is the nationwide umbrella organisation for co-op housing in the country. Founded in 1968, CHF Canada exists to unite, represent and serve the community of housing co-operatives and the organisations that support their operation and development. Membership in CHF Canada is voluntary. CHF Canada is a democratic, grassroots organisation with a 16-member board of directors elected from all regions of the country, several committees and a well-attended annual meeting at which directors are elected by co-op delegates and the broad direction of the federation is mapped out.

The structure of the Canadian housing co-operative movement has evolved over time, taking into account the needs and aspirations of a diverse membership in the world's second largest country. For example, in more than 17 regions, housing co-operatives have joined together to form regional federations that are in turn members of CHF Canada. Except for the province of Quebec, co-ops in Canada can be – and usually are – members of their regional federation and of CHF Canada.

Housing co-ops in Quebec do not belong directly to CHF Canada. Instead, a special membership arrangement exists with the co-op housing organisations of Quebec that recognises the distinct heritage and culture of the province and the development of its co-op housing movement.

CHF Canada's membership is constantly growing. By 2011, some 903 housing co-operatives (representing 69,241 units) had become CHF Canada members. Excluding the housing co-ops from Quebec, which are affiliated with CHF Canada through their provincial federation membership, 83% of Canadian housing co-operatives are direct members of CHF Canada.

The regional federations, in collaboration with CHF Canada, may serve the co-operatives of a province, a special geographical area, or a single large city and its satellite communities. Services include advocacy, government relations, education and training, management support and group-buying services.

For more information, visit: www.chfc.ca

HOUSING CO-OPERATIVES IN CZECH REPUBLIC



MARCH 2012



STATISTICS

Population: 10,548,527 (September 2011)

Total housing stock: 3,900,000 dwellings divided as follows: (Czech statistical Office 2011):

- Family houses: 1,453,000 dwelling
- Flats in housing blocks:
 - private ownership: 1,060,000 dwellings
 - rental: 686,000 dwellings
 - co-operatives: 432,000 dwellings
- Others: 266,000

Total co-operative housing stock: 681 housing co-operatives with 432,000 dwellings

Housing Co-operative Družba, in Usti nad Labem (after renovation)

History

The co-operative movement in the Czech Republic celebrated its 160th anniversary in 2007. The first housing co-operatives, in what is today the Czech Republic, were founded in the 1880s when the country was a part of the Austro-Hungarian Empire. All types of co-operatives were then ruled by the same legal regulations as in other parts of the Empire.

The late 19th and the beginning of the 20th century was a period of growth in the sphere of co-operative enterprise in general. The passage of laws granting tax advantages inspired the foundation of numerous building and housing co-operatives. Their purpose was to ensure low-cost housing for workers and employees. In 1912, 355 housing co-operatives already existed.

After the creation of independent Czechoslovakia in October 1918 a new era began for all types of enterprises, including co-operatives. Gradually, co-operatives started to flourish. The following period saw the adoption of eight laws governing the loan provision and setting tax rates that favoured small-scale construction operations, and, consequently, building and housing co-operatives. These laws did much to encourage the emergence of these co-operatives. Although housing co-operatives did not account for a major proportion of the total numbers of houses and flats actually built, they played a significant role in political and social spheres. Generally speaking, between World War I and II the co-operative housing movement in Czechoslovakia was considered one of the most advanced in Europe.

After a coup d'état in February 1948 when the Communist Regime seized power, existing housing co-operatives (called "People's Housing Co-operatives"), were seen by the new regime as a vestige of capitalism and were either completely liquidated or lost much of their independence. From then on, they became state-owned, run by the state and the communist party bodies. Housing administration was carried out in the context of a centrally planned state. The primary role of the housing policy was to build new multiple-storey buildings financed by the state. As a result, a large number of dwellings were built both in the state sector as well as in the co-operative sector. However, the buildings from prefabricated elements were of poor quality and generated a lot of dissatisfaction. The system was not sustainable in the long run which became increasingly obvious towards the end of 1980s.

Faced with permanent and growing housing demand and limited state financial resources, housing co-operative development was encouraged because a substantial part of the construction costs could be covered by the members of the co-operatives. Typically, housing construction was financed by three instruments: membership shares, state subsidies and low-interest loans, each of approximately the same amounts. But the very nature of housing co-operatives was changed with important deviations contrary to the original principles and self-help tradition. They were "institutionalized" as part of the centrally planned economy and their rights were greatly restricted. Moreover, after 1959, housing co-operatives were merged into very large administrative entities without their consent and regulation standardised their constitution and function.

At the beginning of the 1990s, with the collapse of the Communist regime (as in neighbouring countries) a major economic transformation was implemented, shifting from a centrally planned to a market economy. In the housing sector, two methods were implemented: restitution and privatisation. The restitution phase involved the return of around 7% of the housing stock to the original owners or descendants of original owners whose housing had been expropriated by the Communist regime.

Privatisation of state-owned blocks of flats was implemented in two phases. First, the state transferred all state-owned properties to the municipalities. Second, privatisation of a large portion of municipal-owned properties was done through the sale of entire buildings to newly established housing co-operatives or through the sale of dwellings to individual tenants who then established associations of owners of housing units. Many thousands of housing co-ops were founded during this process (roughly 10,000 housing co-operatives and 43,000 associations of owners of housing units). Moreover, nearly 300 “old” co-operatives (which existed during 1980s) survived the changes. Most of them remained members of the Union of Czech and Moravian Housing Co-operatives (SCMBD).

The adoption of the Transformation Act in 1992 imposed an obligation on housing co-operatives to transfer co-operative shares to their members if members submitted formal requests and granted members the right to sell their shares in the open market, or to become owners of their housing units. This had the effect of transforming some housing co-operatives into associations of owners of housing units.

The tenure composition has changed significantly since the 1990s. In 1991, 41% of the housing stock was owner-occupied, 27% owned by the state or municipality, 21% owned by housing co-operatives and 11% private rental. In 2011, the share of owner-occupied stock grew to 64% (family houses and flats in housing blocks) along with 18% rental, 13% housing co-operatives and 5% other. However, home ownership remains low compared to other eastern European countries.

The blocks of flats transferred from the state to the municipalities and housing co-operatives were often in poor condition. The multi-storey prefabricated blocks were not well built and maintained. No financial help accompanied the transfer of ownership from the state. Moreover, the new owners did not have the funds to maintain adequately their units, whether housing co-operatives or associations of owners. The deterioration of the housing stock continued.

During this period, the combination of a substantial decline in housing construction and deregulation resulted in an increase in prices. This problem was compounded by the lack of resources and adoption of mechanisms to finance new construction by the new market economy. Even with the gradual recovery of the mid 1990s, half the number of dwellings (30,000) was built in the year 2000 compared to the year 1990. However, most of these new dwellings were constructed by private developers and owned by private owners with sufficient means to buy.

To face the withdrawal of the state subsidies, new financial mechanisms were needed. The housing savings scheme, based on the Austrian/German model, was established early in the 1990s. The scheme gradually began to play a very important role during the

transition phase as mortgages were not yet available. Moreover, after their implementation the majority of the population were unable to afford their repayment terms. Fortunately, since the beginning of 2000 banks are offering more affordable financing.

Context

Today, housing co-operatives are completely independent from the state. Even though their overall share in the housing market has decreased, as a consequence of transfers of co-operatives' flats into private ownership, they have been able to establish themselves as key players in the housing market since the beginning of privatisation. Housing co-operatives in the Czech Republic are not seen as just “entrepreneurs” with an economic role but are also expected to solve various social problems as well.

Unlike some other European countries, the Czech Republic demand for housing does not pose a problem for supply although this picture may differ in those parts of the country with high employment levels. However, the country is facing a shortage of affordable housing for people who cannot afford to buy or to pay the market rent. Strict rent regulations, implemented during the previous communist regime, and still in force, contribute to the problem. These regulations, in addition to keeping the rents at a much lower level than market rents, give the possibility to “regulated tenants” of disposing of their units by transferring them to family members or exchanging and trading them. This situation has allowed high-income people to remain in, and to transfer, “regulated” units leaving low-income families unable to access these regulated units and having to pay higher market rents. A further contributor to the situation is an unwillingness to make long-term financial commitment (mortgages) and to dedicate a share of income on rents. After long debates, the Parliament adopted the law No. 107/2006 Coll. on deregulation of rents for the purpose of settling relations between owners and tenants.

Another major housing issue faced by the Czech Republic is renovation of the prefabricated blocks of flats called *panelaks*. During 1954 – 1994, nearly 1,2 million flats were built under prefab technologies across the country. Serious technological faults were inherent in this type of construction at the time creating low-quality housing and a need for reconstruction after several decades. Subject to water leakages, poor insulation, and a weakening metal structure, modernisation of these blocks requires substantial resources. So far, approximately 25–30% of blocks have been reconstructed and modernized with the objective of increasing the energy efficiency of buildings and improving the standard of housing in line with the technical parameters, comfort and style of the 21st century.

Today, in spite of attempts to draft many times, the Czech Republic has no recognisable ‘official’ overarching housing policy but appears to have recognisable housing priorities. These priorities include: optimal use and good maintenance of the existing stock; targeted actions in favour of disadvantaged groups, and; financing mechanisms to assist middle and low-income families. Programmes are available for housing co-operatives and non-profit groups. Unfortunately a convenient program called “Panel” is being gradually phased out due to the lack of finance in the Government’s fund for housing. Since 1994, the construction of new housing co-operatives is at a minimum level, representing only dozens of housing units per year.

Description

Key characteristics of the Czech housing co-operatives are:

- Rental: members are tenants. They do not own their unit. Units remain the housing co-operative's property.
- Operating as non-profit.
- Mostly prefabricated buildings (high-rise and multiple-storey).
- Professionally or volunteer managed according to the size: 9,700 housing co-operatives were founded through the privatization process with 150,000 units and managed by volunteers. The remaining 300 housing co-operatives with 280,000 units are managed by professionals. Besides their own flats these larger co-operatives administer approximately 350,000 units of associations of private owners.
- Size of housing co-operatives varies: for example 69% of housing co-operatives manage 250 units (4%) whereas 2% of housing co-operatives manage more than 10,000 units (28%).
- Members pay a share for the administration/management of the co-operative.
- The monthly rent paid by the member is established according to the floor space occupied.
- Housing co-op rents cover the mortgage cost, the insurance premium, an allocation for the maintenance of the building and a housing society administration fee. The administration fee in 2011 is equivalent to 6–8 Euros per unit per month.

Financing

In 1990s, state support for housing co-operatives was substantially restructured through:

- A state subsidised housing savings scheme based on the Austrian / German model.
- Tax relief for interests on mortgage loans.
- Direct financial support for housing construction.
- Programs for repairs and modernization of prefabricated housing stock.

The construction savings scheme has been available since 1993 and is based on the German and Austrian model. The goals are to encourage people to save money while facilitating the accumulation of funds to provide low-interest loans. Half of the state's housing expenditure is directed to support the housing savings system. The scheme works as follows:

- Low-interest savings with a government non-refundable financial contribution of 15% of the annual saving amount (maximum premium).
- Government contribution available after 6 years' saving. The total sum saved may be used for non-housing purposes. Individuals can continue to save after the 6th year.
- Low-interest loan for housing available when 50% of loan amount has been saved. Loans are for housing purposes exclusively.



Co-operative SBD Prevov, Osmek 479/11 after renovation

- Income tax exemption of interest on savings deposits including the state premium.
- Deduction of paid interest on loans from income tax.

In the period 2001–2011 a significant instrument directed at modernizing and reconstructing housing units was introduced, the 'PANEL' programme. It provided financial help to access commercial financing through an interest subsidy, administered by the **State Fund for Development of Housing (SFRB)**. The program also provides a state guarantee from the Czech Guarantee and Development Bank. For financial reasons this programme was terminated in 2011.

Legal Framework

Throughout the years and the different regimes, housing co-operative's regulations in the Czech Republic have always been included in a special legislative act.

Today, the legal instruments for the co-op housing sector are the:

- Commercial Code – general co-operative regulations were included in the commercial code in 1991.
- Transformation Act – gives housing co-operative members the right to sell their co-op's share on the open market and the right to become the owner of their units.
- Law No.378/2005 Coll. (of 19/8/2005) and Government's Regulation 465/2005 Coll. (of 9/11/2005 – regulations for the construction of co-operative flats.
- Law No. 107/2006 Coll. on one-sided increase of rents.

The Co-operative Housing Movement

Housing co-operatives are associated in the Union of Czech and Moravian Housing Co-operatives (SCMBD). Established in 1969, SCMBD's mission is to protect the interests of housing co-operatives, to represent them nationally and internationally and to offer them services through its national and regional offices such as:

- Education and training.
- Maintenance, repairs, reconstruction and renovation of multi-unit residential buildings.
- Economic, legal and technical services.
- Administration of housing stock.
- Construction of new units (a long term target).

SCMBD's membership currently includes 681 housing co-ops across the country representing 694,000 administered units and 18% of the total housing stock. This number includes as well the units from SCMBD former members that have been privatized and established associations of housing units' owners. SCMBD membership is open to any housing co-operatives whatever their size as well as associations of smaller housing co-operatives. Membership in a sectoral organisation is not mandatory in the Czech Republic.

SCMBD is composed of eight regional councils which represent co-ops in their regions. According to their size (number of members), each council elects a corresponding number of delegates for the general assembly who meet every year. The total number of delegates is determined by the Board; the number is usually about 90 persons from all regions. The board of directors is composed of 17 members including the President and two Vice presidents.

SCMBD member housing co-operatives own and manage some 633,000 units in prefabricated housing blocks which represent more than half (51%) of the total prefabricated housing stock in the country.

SCMBD members are managed by volunteers as well as by professionals. The co-op housing sector employs more than 4,000 persons.

For more information, visit: www.scmbd.cz (Czech only)

HOUSING CO-OPERATIVES IN EGYPT



MARCH 2012

STATISTICS

Population: 80,081,093 (2011)

Total housing stock: 12,200,000 dwellings (1991)

Total co-op housing stock: In over 60 years 2,320 housing co-operative societies have been established for half million dwelling units. Surveys on the national socio-economic development plans concluded that housing co-operatives made up 43% of the housing plan. (2010)

People: Almost one third of the Egyptian population are members of housing co-operatives (2010)



FCH Housing Project

History

The co-operative movement in Egypt celebrated its 100th anniversary in 2008. Co-operatives were established as part of the "anti-colonial struggle"¹. The emerging co-operatives were decentralised and self-managed structures based on the Raiffeisen and the British industrial and provident society legal framework. The creation of a Registry of co-operatives able to intervene, and secondary and apex organisations were also features of the emerging movement. The co-operative movement today consists of five sectors: consumer, agriculture, fishery, housing and production and 18 thousand democratic co-operative organisations. It provides services to 25 million citizens.

The concept of housing co-operatives first appeared in the 1930s with the aim of providing individuals with appropriate dwellings. These initiatives were based on individual initiatives with some State's support.

Until the 1950s, at which time rent control laws were implemented, housing was supplied by private developers. The post revolutionary government (after 1952) was quite active in housing dealing with dramatic housing conditions. The public sector and semi-public agencies which included housing co-operatives played a major role in housing development from this point on. The financing of these developments came from personal and family savings, the General Building and Housing Co-operative Authority (GAHBC), and low-interest loans from the governorates. GAHBC was created in 1954 to assist co-operatives in providing housing to their members.

Housing co-operatives development started in Cairo with the first housing co-operative called Al Shamshargy – the Co-operative Association for Housing – established in 1952 in Maadi. Such development expanded to other cities and governorates and by 1953 21 housing co-operatives had been developed (13 in Cairo, 4 in Giza, and others in Sharqyam Daqahly, Port Said and Assuit).

In Egypt each co-operative sector has its respective law. Before the adoption of a specific housing co-operative law in 1981, housing

co-operatives were ruled by the Consumptive Co-operative Law no.109/1975 and were under the supervision of the Central Consumptive Co-operative Association. It was with the adoption of the specific law for housing co-operatives that the housing co-operative sector became independent. Then, internal systems for the primary, joint and united associations as well as the internal system for the Central Union were developed in addition to the implementation of regulations for the sector.

A stronger economy in the second half of the 1970s changed the housing situation. For the two next decades, private developers made important investments. The role of the public sector decreased and became limited to the building of low- and medium-cost units. However, the State assisted greatly the co-operative housing movement though loans dedicated to the co-operative associations (for example in 1991–1992 — 1,2 billion Egyptian pounds) as a result of an increase of co-operatives and membership from 1,660 to almost 2,000 housing co-operatives during the period of 1995–2006.

In 1995–1996 economic reform was implemented to lower the national public budget and reduce the national deficit. This reform reduced drastically the state loans – by 500 million Egyptian pounds in 1995–96. The interest rate for subsidized loans increased from 4% to 6%. Those new measures brought a change in the membership of the housing co-operatives.

Context

Egypt is one of the most urbanized countries in the world with significant population growth in Cairo and Alexandria. The country's population grows by 1,300,000 annually. This urbanisation brings a lot of informal housing, squatting, and slums. At the beginning of 2000, 400 slums/squatter settlements provided housing to 7 million people. According to Professor Hishma Aref, "50% to 75% of building activity in Cairo takes place through the informal sector". This means that housing is built without proper land titles and financed through the non-official banking system; informal savings co-operatives being one such method. However, it is important to note that progress has been made with the concerted effort of the government, the private and the co-operative sector.

1. *The international co-operative movement*, Johnston Birchhall, 1997, page 133

But the housing situation in Egypt is something of a contradiction, as there are two million vacant units. With 40% of the population living under the poverty line, the majority of people are unable to obtain and repay a loan. Egypt is facing a serious shortage of affordable housing. A more educated population is also demanding better housing conditions, resulting in higher costs and higher rents. The Egyptian housing co-operative leaders have identified three main obstacles in the development of housing co-operatives: very expensive land, high prices of building materials and limited subsidized loans based on eligible but unrealistic square footage.

In the last decades, the whole co-operative movement experienced a painful shift, from being fully supported and promoted by the State to a free market economy. Moreover, the relationship between the co-operative movement and the administrative governmental agencies is difficult. Even though the agencies do not intervene directly in the development of co-operatives as they did in the past, they still maintain strict control over the co-operatives. Co-operative development can be blocked; co-operatives can be dissolved and their activities can be arbitrarily obstructed affecting their growth and capacity to adapt to the new economy. It is particularly difficult for the agriculture sector but all sectors suffer from this problem.

Co-operative leaders are calling for a complete change for the co-operative movement – a new legislation as well as an overall appreciation of what co-operatives are and could do. The General Co-operative Union of Egypt (GCU), the apex organisation for co-operatives, has drafted and submitted to the Egyptian Parliament a new unified law for all co-operatives whatever their field. At this time, co-operatives are incorporated under different laws according to their sector of activities. The co-operative leaders have indicated that “the current co-operative laws are not compatible with the current socio-economic and political challenges”². The proposed law “aims at achieving legislation that secures: the autonomy of the co-operative movement, a coherent structure that emphasizes the economic identity of co-operatives as non-governmental organisations, and the role of the international principles of co-operation”³.

GCU has also published its strategy for assisting in the modernisation of Egypt in the document *The Strategy of Co-operation in Egypt until 2020, and the role for the movement in modernizing Egypt*. The Egyptian co-operative movement has

great expansion ambitions in term of employment until 2020 and the co-operative housing sector has set a target to grow by 15,000 employees.

The co-operative movement has hopes after hearing the speech of President Mubarak at the centennial celebration of the co-operative movement in 2008. President Mubarak reaffirmed the state’s conviction that co-operatives are necessary and part of modernising Egypt. He recognised that co-operatives are one of the 3 pillars – public, co-operative, and private – of Egypt’s economic system. In his electoral program in 2005, President Mubarak set the goal to build half-million units between 2005–2011 for his government in collaboration with the co-operative and the private sectors. The co-operative housing movement has made the commitment to build fifty thousand units.

Description

Key characteristics of the Egyptian housing co-operatives are:

- Mostly urban.
- Owner-occupied: Members buy shares to get the right to occupy a unit. Members wishing to leave its unit during the first 10 years of occupation must reimburse 20% of the unit’s market value to the Co-operative. After the 10 years period, members have full rights on their units; mainly targeted at people with moderate incomes. Members of housing co-operatives from poorer social groups do not exceed 25%.
- Constituted with people having a common reason to join – such as working in the same field (teachers, engineers, etc.) with the aim of providing them with housing.
- Built according to the authorized engineering standards at lower prices than other sectors (according to surveys on national socio-economic development plans).
- Under the supervision of the Ministry of Housing who is responsible to enforce the Co-operative Housing Law.

The housing co-operatives are responsible for:

- Maintaining the buildings and properties.
- Collecting the members’ savings and invest them in the housing projects.
- Providing lands in accordance to the authority given to them by the state through the co-operative housing law.
- Developing the housing projects (acquiring building materials, participate in designs, engineering and real estate studies).
- Securing long-term loans.

One of the largest co-operative housing schemes in Egypt was implemented in 1978 with the upgrading of a 100,000 member slum financed through the US Housing Foundation.

Financing

The Law on Housing Co-operatives no.14/1981 specifies that housing co-operatives are exempted from numerous taxes and fees such as:

2,3. *The Egyptian Co-operative Movement: Between State and Market, Cooperating out of Poverty*, 2008, page 249



- Taxes on industry and trade profits, and on the interest of deposits in banks and saving funds.
- Taxes and fees levied by municipalities.
- Custom taxes, statistical fees, importing fees and extra fees on imported tools, machines, primary building materials, and means of transportation.
- Stamp taxes paid on contracts.
- Several kind of fees on contracts and mortgages.
- Fees for building licences and land allocation.
- Legal and publishing fees.

Housing co-operatives receive a 25% discount on all State-owned land which could go up to 50% with the Minister of Finance's approval.

Legal Framework

The Egyptian Constitution requires the State to take care of the co-operative associations. Accordingly the Housing Co-operatives Law no 14, 1981 stipulates that State will offer support, protection, exemptions and privileges as described below:

- Support: the law stipulates that a presidential resolution can transfer public money to co-operative housing projects without returns.
- Protection: the law stipulates that co-operative housing projects, as public funds, should get all kinds of civil and criminal protection.
- Exemption: the law grants full tax exemptions to the housing co-operatives in addition to exemptions from custom fees imposed on imported goods.
- Privileges: the law requires the State to facilitate loans and the acquisition of lands to the housing co-operative association by applying discounts.

The Housing Co-operatives Law no.14, 1981 defines housing co-operatives as "democratic, popular organisations which aim at providing housing for their members, and the required services needed for integrating the housing environment, in addition to providing the property with maintenance and care".

The Federation of Co-operative Housing is under the supervision of the Ministry of Housing. Each ministry is in charge of enforcing their respective law and has the authority to inspect the administrative and financial administration, and monitor the boards of directors, the managers and the employees of housing co-operatives.

The Co-operative Housing Movement

The co-operative housing movement in Egypt is a tiered system comprising four levels. It consists of 2,320 primary housing co-operatives, 4 Joint Associations for Building and Housing, 13 Federal Associations for Building and Housing and the Federation of Co-operative Housing (FCH) previously called Central Housing Co-operative Union.

The 4 Joint Associations for Building and Housing are responsible for carrying out the development of joint projects involving several housing co-operatives. They manage the development of the projects and get the necessary financing on behalf of the co-operatives.

The 13 Federal Associations for Building and Housing provide development services to the housing co-operatives in their respective governorates. The services include:

- Carrying out studies and maintain statistics regarding the housing co-operative needs for lands and building materials.
- Providing the housing co-operatives with lands (state-owned or private) at the lowest cost possible.
- Buying on behalf of the housing co-operatives the building materials at wholesale prices.
- Set up factories for manufacturing and producing the building materials at the lowest prices possible.
- Providing the transportation means to carry the building materials on sites.
- Providing required design and execution expertise as well as building offices.
- Implementing joint projects.
- Getting loans to execute the projects.

The Federation of Co-operative Housing (FCH) is the Egyptian apex organisation for housing co-operatives. It is managed by a 19-member board of directors elected for five years. FCH supervises the activities of the primary housing co-operatives and the Joint and Federal Associations. FCH ensures that the activities are carried out in accordance with the co-operative principles. Specifically, FCH's responsibilities include the following:

- Making suggestions for the general policy for co-operative housing.
- Promoting the co-operative ideology.
- Delivering training and education through its co-operative training center.
- Exchange and liaison with the international co-operative movement.



- Conducting researches and studies; collecting information, statistics and data; publishing newspapers and periodicals.
- Protecting the interest of its members by preparing the organisational, administrative and financial co-operative housing regulations for the minister's approval.
- Guiding the co-operatives with appropriate administrative, financial and accounting systems.
- Providing technical and legal advice and arbitration.
- Monitoring the operations of the co-operatives including annual budget audits.
- Liquidating outdated units.
- Investing money jointly with the housing co-operatives for the development of projects.

The turnover of the co-operative housing sector in 2008 was EGP 1,074,800,000. The member investment totals EGP 17,277,300,000. The housing co-operative societies employ 300 employees of which 65 are women.

The housing co-operative movement has established and manages 129 co-operative tourist resorts on the Mediterranean Sea Coast.



HOUSING CO-OPERATIVES IN ESTONIA

MARCH 2012

STATISTICS

Population: 1,340,000 (2011)

Total housing stock: 651,000 dwellings of which 96% is private ownership (Source: CECODHAS 2012 Housing Europe Review)

Total co-op housing stock: 9,800 apartment associations / housing co-ops with 392,000 units

People: home of 800,000 people, 65% of the population



EKYL's Summer University of Co-operative Housing Associations in 2011

History

Co-operatives in Estonia are relatively new, initially appearing during the first period of independence in 1918–1940. With the arrival of the “perestroika” and the accession of independence in 1991, co-operatives began to flourish and were the first form of private enterprise. The Estonian Co-operatives Act was adopted in 1992 and was subsequently changed for the Commercial Associations Act in 2001.

Housing co-operatives grew rapidly due to the vast privatisation program put in place by the State. The privatisation program, started at the beginning of the 1990s, impacted on all aspects of the economy. The state owned properties and enterprises were all privatised in a very short period of time. Moving from socialism, state property and planned economy to liberalism, individual property and market economy, the necessary financial and legal tools had to be put in place such as a land registry and a mortgage financing system.

The housing privatisation was done in three steps: the privatisation of apartments, the establishment of housing co-operatives or apartment associations, and the registration of housing property. The privatisation of apartments was done through a system of vouchers given to the in-situ tenants. The value of the voucher was dependent upon the number of working years during the soviet period. In less than three years, by mid 1993, more than 3,000 co-operatives housing associations or apartment associations had been formed.

Housing retrofitting was the first task to be undertaken at the time of privatisation. The apartments were located in 20 to 50 year old buildings. They were in poor condition due to inadequate construction and lack of maintenance. The major part of the building portfolio needed complete renovation. However, the economic situation of both the country and the citizens along with high interest rates ranging between 16 to 18% made it impossible to address the situation. The housing co-operative movement lobbied hard to gain better borrowing conditions. Thanks to this effort, a major instrument of housing policy in Estonia was introduced in 2003, namely the state subsidy for reconstruction and technical expertise of apartment buildings. The subsidy covered 10% of the costs of reconstruction works and 50% of the costs of technical expertise.

In addition to this, the City Governments of Tallinn, Paide, and Rakvere had special credit support systems for apartment associations and co-operatives, which enable them to receive very low interest (1% to 3,5%) loan from banks.

In Estonia, unlike other central and eastern European countries that went through privatisation programs, the setting of up of housing co-operatives or associations was made mandatory for the management of the buildings and common space. This obligation created several challenges. People with no democratic tradition and different backgrounds had to work together and to learn building,

people and organisational management. The Estonian Union of Co-operative Housing Associations was founded in 1996 expressly to support the new housing co-operatives and to help the newly elected board of directors and managers.

The privatisation program included another aspect that added to the challenges of setting up and managing housing co-operatives. The State recognised the previous apartment owners when appropriate and allowed for the restitution of those units to the people who owned them before the communist period. To ease the transition of the living residing tenants, the State ensured low rent and security of tenure until 2002 at which time the previous owners were able to have their units back.

On January 1st 2008 a new law came into force allowing housing co-operatives to change their status to apartment associations. According to the Estonian National Housing Development Plan for 2008–2013, an apartment association is a non-profit association established by apartment owners for the purpose of shared management of the legal shares of the building and plot of land and, representation of the shared interests of the members of the apartment association.

Today only 300 original housing co-operatives remain. All others have been transformed into apartment associations. Housing co-operatives and apartment associations have some legal differences but both terms are used in English language to describe the portfolio.

Context

Today, 96% of apartments have been privatised. These privatised apartments are organized through apartment associations and housing co-operatives.

Special efforts are being made to improve energy efficiency and the co-operative housing movement is working with several private and public partners. Any renovation and refurbishment plans are nevertheless limited by the financial capacity of individual members; housing co-operative membership includes people with diverse socio-economic backgrounds.

The official statistics indicate that Estonia is not lacking housing units. However the fact that, in many instances, several family generations live in the same unit may distort the official statistics. Moreover, there has been only marginal new development over recent years. This has contributed to create a lack of available units; more specifically of affordable units for people with special needs



Co-operative Housing Association Turu 12A in Tapa

and seniors. This lack of affordable units is more predominant in some regions facing migration due to employment.

The State has adopted a housing strategy, the *Strategy of Estonian Housing Policy 2007–2013*. The implementation of the policy is under the responsibility of the Ministry of Economic Affairs and Communications. Three priorities have been identified:

- Provide affordable housing to the tenants from restituted units.
- Support the building of new apartments.
- Improve and strengthen urban planning for better quality living, roads and property lands.

Description

Key characteristics of the Estonian housing co-operatives or apartment associations are:

- Formed to manage the common areas.
- Non-profit organisations managed by a board of directors.
- The board can hire real-estate manager if needed.
- Units belong to the individual members.
- Sale of units is regulated at market.
- Owners pay according to the actual costs.
- At the beginning of privatisation, one housing co-operative had to be established for each building. The rule was changed and apartment associations / housing co-operatives can have many buildings.
- Units built during the soviet era (1960s to 1980s) are of poor quality and have high energy costs (30% more than compared to other European countries). The portfolio is in need of major renovation.

Financing

Housing co-operatives or apartment associations have access to several financial programs. There are renovation loans and loan guarantees for apartment buildings and the green investment scheme "*Support for renovation of apartment buildings*" offered by KredEx. The objective of the green scheme is to support the reconstruction and renovation of apartment buildings for achieving indoor climate and energy efficiency, improving the energy-performance as well as using renewable energy in the existing apartment buildings. The financial assistance is available to apartment associations, building associations and communities of apartment owners.

The green investment scheme comes in a form of a grant from KredEx in the amount of 15%, 25% and 35% of the total project cost depending on the level of complexity of the reconstruction of apartment buildings. The grant is primarily meant to supplement the renovation loans of KredEx but the grant can also be combined with owners' funds.

Information from KredEx shows that the average energy saving of apartment buildings having undertaken renovation with the help of reconstruction grant offered since September 2010 is 37%. A total of 270 reconstruction grant applications have been

submitted to KredEx until today, of which 229 apartment buildings have received a positive decision in the amount of 6,2 million Euros.

More information visit: www.kredex.ee. (some information in English)

Legal Framework

The legal instruments for the co-op housing sector are:

- The Commercial Code.
- The Co-operatives Act 1992–2001, Commercial Associations Act since 2001.
- The Non-profit Associations Act.
- The Apartment Associations Act.
- The Apartment Ownership Act.

The most important pieces of legislation for apartment associations or housing co-operatives are: The Apartment Associations Act, The Apartment Ownership Act and The Non-profit Associations Act. The others are pertinent as supportive legal acts.

The Co-operative Housing Movement

In 1996, the Estonian Union of Co-operative Housing Associations (EKYL) was founded by regional unions, the umbrella national organisation for the co-operative movement in Estonia. In 1999, the co-operative housing movement changed its structure to a one-level national organisation. Since then, housing co-operatives have been direct members of the national organisation.

EKYL's objectives are to offer services to members and to represent them and advocate for their interests at local, national and international levels. Services include: information and advice, training, organisational development, promotion, representation and advocacy and, management. EKYL publish the ELAMU magazine.

EKYL's Training Centre offers a comprehensive education program to housing co-operatives. This 160-hour education program operating under a Licence given by the Ministry of Education and Research is offered to co-operative housing executive directors. This Licence allows EKYL to deliver certificate of real estate manager upon completion.

EKYL has also a certification program for housing co-operatives. A certificate of "Good Apartment Association" is issued to housing co-operatives upon positive reviews of their legal and financial status and building conditions. The certificate remains in force for two years.

EKYL membership represents 16% of the total co-operative portfolio with 1,400 housing co-operatives for 50,000 units.

EKYL is governed by a Council elected regionally. The Council elects a management board of directors of three people to oversee the day to day management in accordance with the decisions of the members and the Council. EKYL employ 15 employees.

For more information, visit: www.ekyl.ee (Estonian, Russian and some English)

Located in Tallinn, the Baltic Union of Co-operative Housing Associations (BUCHA) was founded in 1999 out from a need for joint representation and collaboration of the housing co-operatives and their associations in the three Baltic States. Housing co-operatives in the Baltic States have much in common: similar development process though privatisation, old buildings in need of substantial renovation and comparable economic and political context. BUCHA's objectives are: to represent the housing co-operative movement in Europe and worldwide, to promote networking and exchange within the Baltic States and to support the development of housing co-operatives. Current activities include training, research, promotion, development of financial opportunities and representation.

For more information visit: www.bucha.ee



HOUSING CO-OPERATIVES IN FRANCE

Source: FNCoopHLM



STATISTICS

Population: 64,876,618 (2010)

Total housing stock: 31,264,000 dwellings (CECODHAS 2012 Housing Europe Review)

Total social (rental) housing stock: 19% of total housing stock. (Vincent Lourier. FNSC-HLM)

Total co-op housing stock: More than 300,000 housing units were built in 100 years by HLM co-operatives, the vast majority of which provide access to ownership. The number of HLM co-operatives rental apartments is 23,622. The HLM co-operatives represent less than 1% of the total housing stock.

History

The terrible housing conditions prevalent in the 19th century caused by overpopulation, exorbitant cost and unhealthy surroundings, led factory owners to develop real estate projects to improve the housing of their workers because they recognized that working conditions and housing conditions were interrelated. Various initiatives came about, including the housing estate in the 12th arrondissement built in 1867 by the *Société co-opérative immobilière des ouvriers de Paris* (Paris workers housing co-operative society), which is considered the ancestor of housing co-operatives. The unions made housing one of their major concerns.

The housing co-operative movement in France really took off in the early 20th century with the adoption of a set of legislative measures, including: the 1894 Siegfried Act, which paved the way for the emergence of HBMs ["Habitations à Bon Marché" meaning inexpensive housing], the 1906 Strauss Act, which specified the co-operatives intervention system, the 1908 Ribot Act, which introduced low-interest government loans to enable people to own HBM co-operatives, and lastly, the February 1921 Act that provided reduced-interest loans to co-operatives. The first HBM construction program was passed by Parliament in 1928 and before the Second World War, 10,000 co-operative housing units were built, mainly focused on access to "modest" ownership. The name 'HBM' was changed in 1951 to HLM, *Habitations à Loyer Modéré*, or rent-controlled housing.

The housing situation at the end of World War II was a disaster. Two co-operative approaches coexisted at the time. The Castors movement, which made it possible for people on a modest income to build their own houses under a non-HLM system based on individual efforts and community work during construction, built more than 12,100 housing units between 1948 and 1952. Parallel to this, the HBM (HLM) co-operatives were reactivated and an act was passed in 1947 to re-launch their development. The HBM co-operatives developed using the rent-to-own approach, which allowed gradual ownership of the property. The focus was on the construction of cottages, which were better suited to the lease-to-purchase formula, for example the "chalandonnette" initiative, named after

the Minister of Housing of the period, Albin Chalandon, who introduced the policy for individual houses. Between 1950 and 1965, with 35-year 2% mortgages, 140 HLM co-operatives were established, representing some 130,000 units.

The co-operatives also developed rental projects, although in smaller numbers. Under this formula, the tenant-co-operative member subscribes to shares equivalent to at least 15% of the cost of the unit that give a transferable right to occupy the unit, along with monthly rent to cover operating expenses.

In addition to building, co-operatives administer solidarity savings funds to help co-op members experiencing problems, lend money from their own funds or in co-operation with financial institutions, and own and administer rental buildings.

Despite this development, the movement went through a very turbulent period. The philosophical differences between the left-leaning and Christian movements, the differences in the approaches, with greater urban development than rural, and a confrontation between the leaders, led to a schism. A second federation, the *Fédération française*, was established in 1953. The two federations, the French and the National, were reunified in 1963.

The authorities became increasingly concerned about the dual mission of building and managing HLM co-operatives. The desire to provide a better structure for the efforts of co-operatives, in order to protect them and co-op members led the government

authorities to make three legislative changes that considerably diminished the ability of co-operatives to take action. The authorities wanted to introduce a financial and organisational framework to reduce the risk involved in the three forms of HLM co-operative development that were in existence, namely rent-to-own, co-op rental and straightforward rental.

The November 1965 decree therefore introduced major changes within the HLM co-operative movement, and caused a great deal of disappointment. The decree redefined co-operative rental and rent-to-own and reformed the share subscription system. It prohibited co-operatives from renting and required that the existing portfolio be assigned to HLM organisations. A total of 27,610 housing units were transferred in this way. Co-operatives were forced to specialize in property ownership. This was a major change because co-operatives had always tried to meet the needs of people seeking housing through a variety of different formulas.

The attack on the co-operative movement continued with the passage of what are generally called the “infamous” laws of July 1971. Both statutes took away from co-operatives the right to build on their own and forced them to use the services of a third party. Henceforth, the functions of builder and manager were separated into distinct legal entities. The rent-to-own co-operative societies (SCLA) had to convert into “Société coopérative de production” (SCP) if they wished to continue with development. Many gave up the co-operative structure which had become too burdensome with the new administrative and legislative changes and moved towards the establishment of corporations. Between 1972 and 1974, 50 rent-to-own co-operatives gave up their co-operative status to become HLMs organisations. Lastly, co-operative rentals were now prohibited, as ordinary rental had been several years earlier. Co-operatives had built and managed over 50,000 rental units between 1947 and 1971. It amounted to the breakup of the HLM co-operative movement, a fragmentation that was felt for more than a decade. During that period, non-HLM co-operatives that grew out of the Castors movement also ceased to exist because of a shortage of financial resources, except for four, which remain in operation.

In the years that followed, the movement continued to lobby for more flexible co-operative regulations. In 1983, the co-operatives gradually recovered all of the areas of jurisdiction they had lost in 1971. The HLM co-operatives established a monitoring system, called compulsory review, with which all HLM organisations had to comply after the passage of the Act in 1983.

The movement redefined itself and reaffirmed its objective to promote ownership for people with low-income. Rent-to-own, the approach that still applies today, was defined during this period and adopted under the July 12, 1984 Act. It was also during this period that the Federation of HLM co-operatives moved into the facilities of the HLM union (which it had co-founded in 1925), consisting of public offices, HLM housing corporations, real estate credit corporations and regional HLM associations.

The Dubesset report published in June 1989 reported that many co-operatives were experiencing serious difficulties that could jeopardize their very existence. Measures were to be taken as quickly as possible. A memorandum of understanding was signed between the Federation and the public authorities, which set out the commitments of the Federation with respect to providing support to co-operatives experiencing difficulties. The Cooperation

Modernization Act, which was passed in 1992, and the 2000 Act on urban solidarity and renewal (SRU) established the HLM co-operatives as genuine stakeholders in housing in France. This legislation broadened their field of intervention and gave them jurisdiction akin to that of HLM offices and corporations. With the under-capitalization of co-operatives acknowledged to be an impediment to development, the HLM co-operative corporations are now open to associates who are not members of the co-ops. At the same time, the movement contributes to this modernization with some of its tools, such as the SDHC (corporation for the development of co-operative housing), which was established in 1980. Lastly, measures to secure access were put in place to protect the financial investments and homes of co-operative members.

Context

France is facing an unprecedented housing crisis with a shortage of 800,000 housing units. This shortage is the direct result of a decline in construction over many years, a result of the weakening of the welfare state which has allowed market forces to have free rein. Faced with rising production costs, tighter credit and higher interest rates, it is becoming increasingly difficult to develop affordable projects. Over 4 million people are looking for housing every year, 1.3 million of whom are seeking affordable housing. This housing crisis is affecting not only low-income households, but middle-income households as well. Fundamental needs are changing, demand is more heterogeneous and, as in many countries, France is undergoing deep economic and social mutations, including the growing number of wage earners working at the minimum wage.

Although just over a half of French people are owner occupants, 9 out of 10 French people aspire to private ownership. This aspiration has influenced the shape of development targeted by housing co-operatives in France, which is ownership.

The political issues that the HLM co-operative movement must face are the following:

- The ability to produce housing of a high environmental standard at a cost that is compatible with the incomes of first-time buyers and.
- The promotion of the co-operative status and the possibility of assisting co-op members over the long term through housing services.

In 2011, 102 HLM co-operatives built 3,348 housing units for social ownership, signed 907 construction contracts to build individual houses, began 1,201 rental social housing units, developed 282 building lots, and administered 38,000 units and 1,176 co-ownership associations.

Sixty per cent of the social housing developed each year for low-income household ownership is built by HLM co-operatives.

Description

HLM co-operatives are recognized in France as historic players in providing government-assisted access to ownership, the objective of which is to facilitate ownership for people on a low income who would not otherwise be able to own their own housing. They perform this role in three different ways:

- Construction and sale of housing via government-supported access to ownership.

- Construction and management of rental housing under HLM regulations.
- Management of co-ownership associations.

There are three types of co-operatives in France:

The HLM production co-operative (SCP)

This is the oldest and most widespread form of housing co-operative in France. Membership in these co-operatives includes user members and co-operative employees, with these two groups jointly holding 51% of voting rights independently of their share capital. Membership also includes other non-user associates, whether individuals or companies, who can share between 35% and 49% of voting rights, on a basis that is prorated to share capital.

HLM collective interest co-operative (SCIC)

The SCIC, which was introduced under the 2003 Act to guide and program urban renovation in cities, is the most recent HLM co-operative structure in France. The organisation of its membership is different, and based on colleges of associates. The Act provides for three mandatory colleges: individual users, employees and public bodies. Each college must hold at least 10% but no more than 50% of the voting rights. The employees' college has a ceiling of 15% of the voting rights. The co-operatives may establish other colleges.

HLM local law co-operatives

These co-operatives exercise the same powers as the HLM SCPs. There are only three corporations of this type in France, all of which are governed by the local law provisions in Alsace-Moselle.

The different forms of HLM co-operatives share a number of characteristics, such as:

- Adherence to and compliance with a code of ethics that establishes principles governing the operations of the HLM co-operative and its relationships with others.
- Adherence to the charter for sustainable and solidarity long-term housing that requires co-operatives to introduce measures that demonstrate their "role as a local player in sustainable territorial development" (energy performance, environmental and citizen behaviour measures).
- Mandatory financial contribution to a training fund for professionals and volunteer managers.
- Under the control of management, the board of directors adopts a development plan and ensures that it is followed. The board consists of volunteer directors. For co-operatives with rental units, at least one board member is to be a tenant representative.
- There is a ceiling on earnings from shares and reserves cannot be shared.
- The co-operatives are managed by an executive director who can also perform the function of chairing the board of directors.
- Membership is open to shareholders who are not members of the co-operatives (organisations) in order to increase capitalization. These shareholders' voting rights are proportional to the share capital, but they remain in the minority (no more than 49% is allowed in HLM SCPs) within the co-operative. However, this minority status is often only virtual because the vote count at meetings is based on the members in attendance. Non-co-operative shareholders therefore often have a major influence on the business of the co-operative, particularly as they are there to ensure that their investment grows. Furthermore, the status of co-op members for very low cost ownership and rent-to-own projects is often temporary because people remain members of the co-operatives only for as long as it takes them to acquire ownership of their housing unit. Once the titles have been transferred, members withdraw their shares in the co-operatives and no longer participate in decisions (according to the policy established by the Council).
- Participation in the self-monitoring system managed by the Federation, whose purpose is to optimize co-operative management and prevent problems. The system is based on three measures: the DIS, an individual status report establishing financial reports on an annual basis, an annual audit of all aspects of management systematically required of co-operatives that are experiencing problems and/or performed on request, and lastly, a mandatory review of the co-operative every five years, which consists of a financial, operational and organisational analysis.
- Access to a set of security measures to protect the financial investments and homes of members in the event of problems such as a change in the composition of the household, or the need to move as a result of a change in work or a disability. The measures include resale insurance to cover any financial losses involved in the resale of the unit, a repurchase guarantee in which the co-operative agrees to buy back the unit at an agreed price and lastly, a relocation unit guarantee, either by remaining in the building or relocating. Resale insurance remains in force for a period of 10 years, whereas the buyback and relocation guarantees are maintained for a period of 15 years.

The regulations set the conditions under which HLM co-operatives design and market their government-supported housing:

- They are intended primarily for low-income households purchasing their primary residence, and whose income does not exceed established ceilings.
- They are sold at prices that do not exceed the price ceilings for each operation.
- The purchasers receive support over time through the HLM safety net.

Added to this are the specific features of HLM co-operatives:

- Prospective owners are also co-operative members: they become associates of the HLM co-operative and are asked to attend the general meetings.
- The HLM co-operative may in certain instances also manage the co-ownership property and in doing so work together with the co-owners to ensure the long-term existence of the building.

Depending on the level of involvement by the local community in the implementation of the operation, the HLM co-operative may include in its sale contract clauses limiting speculation and abusive resale of housing units with a view to providing guarantees to the local community that the efforts it has made will not do anything to cause further price increases in the real estate market.

Financing

Tenants need to be distinguished from buyers:

- For rental units, HLM co-operatives are financed by public funds (primarily the Livret A government guaranteed savings program), as are all HLM organisations.
- For purchases, the co-operative members are financed by their banks through loans provided by the government (PAS loans, zero-interest loans). The “rent-to-buy government supported loan” (PSLA) deserves to be mentioned. It enables households without personal assets to acquire the housing unit they live in as tenants. Operations under this system consist of two phases. In the first phase, the housing unit is financed, as is the case for a straightforward rental operation, by an HLM operator. The households living in the unit pay an amount that consists of occupancy rent, management fees and savings (the “acquisition portion”). At the end of this first phase, the length of which may vary, the household is given the opportunity to opt for ownership status. This “old formula” contract is available for acquiring a new property or an old property.

The PSLA enables purchasers to have a reduced value-added tax of 5.5% instead of 19.6%.

HLM co-operatives also have access to the financial resources of the SDHC in the form of share capital or operational support.

Local communities can participate in the development of co-operatives by providing support measures such as:

- Land at reduced cost.
- Grants to reduce infrastructure costs.
- Direct financial assistance to purchasers who are below the income ceiling.
- Establish a social housing quota for all developments that exceed an established threshold.
- Subscription of shares.

Co-operatives invest their shareholders’ equity in the development of their rental projects.

Legal framework

The legal instruments for the housing co-operatives movement are:

- The Code du commerce (commercial code) – as a corporation.
- The September 10, 1947 Act on the status of co-operatives.
- HLM legislation and regulations: construction and housing code.
- Federal code of ethics.

The housing co-operative movement

HLM co-operatives are all under the HLM (FNSC-HLM) national federation of co-operative societies. The FNSC-HLM, which was established in 1908, represents HLM co-operatives at the political level and vis-à-vis social housing partners, in addition to promoting co-operatives, working towards the introduction of policies that promote the development of co-operatives, and providing development and operational assistance to co-operatives. In 2008, the movement adopted a new strategic development plan articulated around three objectives: “produce more, produce better and produce everywhere”.

The Federation is governed by a federal council of 28 members elected by the General Assembly and the six interregional districts. HLM co-operatives are member of a regional union. There are seven regional unions active across the country. These unions are financially independent and implement the objectives of the movement at the regional level. The regional unions are grouped within the six interregional districts, which designate 16 members to the federal council for a term of three years. The Federation also has an ethics committee that enforces the code of ethics adopted by the HLM co-operatives.

The FNSC-HLM has 165 member HLM co-operatives representing 23,000 social housing units, and which produce 5,000 new social housing units for ownership each year. There are 1,000 people working directly on behalf of the movement.

By becoming a member of the Federation, the co-operatives agree to comply with the self-monitoring system established by the Federation and to belong to A.RE.COOP, a training association. The co-operatives also agree to subscribe to the SDHC capital, a society assisting the development.

In order to properly carry out its mission, the Federation established the following structures:

The SDHC, the Société de développement de l’habitation coopérative, was established in 1980. It is an open-ended investment company whose mission is to support the development and facilitate the continued existence of co-operatives through share capital and/or governance support by sitting on the board of directors. The corporation acts as the guarantor vis-à-vis the other partners for strategic projects. The capital comes from contributions of the Federation’s members.

SICAV, an open-ended investment company, is a “financial co-op” established in 1995. It offers investment products to the co-operatives issued by the government or guaranteed by the government, whose yield is equivalent to market. Fifty percent of management fees required by the manager are paid into the SDHC.

A.RE.COOP, the association that reviews, assists and acts as guarantor for co-op corporations, was established in the early 80s. Its mission is to train co-operative employees and administrators, as well as to carry the mandatory co-operative review required as part of the self-monitoring system established by the Federation.

For more information, visit: www.hlm.coop and www.habitat.coop (French only)

HOUSING CO-OPERATIVES IN GERMANY



Wohnbaugenossenschaft wagnis eG, Munich, Projekt „wagnis 3 Messestadt München-Riem“, Source: Hermann Wittekopf

History

Influenced by British examples, housing co-operatives were first established in Germany in the 19th century. The first homeownership housing co-operative was founded in 1862 in Hamburg and the first rental housing co-operative in 1885 in Hannover. The adoption of the Co-operative Act in 1889, limiting member's liabilities, saw a breakthrough in co-op housing development.

The bulk of co-op housing development happened after the Second World War when Germany, as all European countries, faced a severe housing shortage. 58% of the current housing co-operatives portfolio in Western Germany was developed between 1949 and 1970 the majority of this financed through the social housing system. In Eastern Germany, there were two types of housing co-operatives. Some were founded before World War II as not-for-profit housing co-operatives. The majority were built after the adoption of the Law of Workers' Housing Co-operatives in 1953. These housing co-operatives were subsidized significantly by the government.

The political change and reunification brought major state financial investment to the Eastern Germany housing co-operative portfolio. Financial assistance was directed mainly toward rehabilitation and maintenance. However, investment dropped after 1999 as the housing co-operatives were, and still are, facing high vacancy rates associated with on going migration.

STATISTICS

Population: 81,800,000 (2011)

Total housing stock: 40,136,000 dwellings (2010)
(CECODHAS 2012 Housing Europe Review)

Total rental housing stock: 21,800,000 dwellings (2010)

Total social (rental) housing stock: 1,846,256 dwellings, 4,6% of total housing stock (Idem)

Total co-op housing stock: 1,850 housing co-operatives with 2,180,000 dwellings representing 5% of the total housing stock and 10% of the total rental housing stock (2010)

People: 2,8 million individual members and 4,6 million people living in housing co-operatives representing 6% of the German population (2010)

1986 marked the beginning of the decline of state involvement in housing co-operative development with the withdrawal of financial support. This was followed by abolition of the non-profit law in 1990 and the reduction of the social housing stock due to the requirement for reimbursement of previous state subsidies. Subsequently, the social housing reform in 2000 simplified the legal framework and put emphasis on the people most in need.

In 2002, the Federal Government set up an Expert Commission with the objective to develop and strengthen housing co-operatives as a third alternative to rental housing and ownership. The experts proposed several recommendations to politicians, the

housing co-operatives and the housing co-operatives movement (federations).

Context

The ongoing migration from east to west, mainly due to better job opportunities, and a persistently difficult housing market has hit the co-operative housing portfolio in Eastern Germany over the last 22 years. Nevertheless, housing co-operatives are better off than municipal housing companies in Eastern Germany. Prefabricated housing is now very close to western standards. Advantageous loan conditions from the State Bank KfW made possible the modernization of housing co-operative stock.

Another aspect of Germany's housing sector worth noting is the expected decline of the public housing portfolio as a proportion of the overall housing market over the next decade as privatization continues through unit sales.



Allgemeine Deutsche Schiffszimmerer Genossenschaft eG, Hamburg, Dwellings in Ammersbek near Hamburg, Source: Allgemeine Deutsche Schiffszimmerer Genossenschaft eG

In this context, the recommendations of the Expert Commission given in 2004 are key. The experts made clear that "housing co-operatives must seek to fulfill their potential"¹. These experts supported the housing co-operatives form of tenure and made recommendations to the politicians to:

- Recognise housing co-operatives as a key form of tenure in today's German context.
- Put in place measures whether financial and legislative to ensure their development.

The experts also recommended to the housing co-operatives and their federations to:

- Inform the general public about housing co-ops.
- Improve the housing co-operatives' performance by training and new management practices.

Housing co-operatives in Germany are of great importance both in terms of quality and number. Together with municipal housing companies, they are key players in urban development and renewal in the eastern and western parts of Germany.

Description

The main characteristics of the German housing co-operatives are:

- Members buy shares and the amount varies from one co-op to another. When leaving the co-op, the initial amount is reimbursed to the members at nominal value by the co-operative.
- Members enjoy security of tenure through a perpetual lease

as long as they comply to the terms of the occupancy contract.

- Rents are regulated and can increase only within prescribed limits.
- Some housing co-operatives have developed wider social services such as kindergartens, services for the elderly etc.
- Co-op by-laws rule the non-profit principle and the use of surpluses must be decided by the General Assembly (non-profit principle was previously enforced by law).

Almost every housing co-operative has non-resident members (individuals and legal entities). These non-resident members are promoting members, which mean that they support the housing co-operative by investing money into it. Co-operatives pay limited dividends on their shares (4%). They are invited to the General Assembly but they have no voting power.

In Western Germany, 72% of the 1,120 housing co-operatives have less than 1,000 units per co-op and the remainder of the co-operatives have a larger portfolio. 25 co-ops in the West manage over 5,000 dwellings. In East Germany the housing co-operatives tend to be larger; 61% of the 740 housing co-operatives have less than 1,000 units per co-op and 48 co-ops manage over 5,000.

Financing

The only Federal state financial assistance available to housing co-operatives is the corporate tax relief for rental housing co-operatives. Financial incentive schemes are only dedicated to social housing and housing co-operatives do not use it anymore. Instead, housing co-operatives are exclusively financed through member contributions and mortgages.

1. "What are the attitudes of young people towards housing co-operatives in Germany?" RICS Research, November 2006

48 housing co-operatives own their savings institutions. The members put their individual savings in their saving institution for middle- and long-term investment with an interest rate that is a little higher than a commercial bank. The members get back the interest earned at the end of the investment contract. This arrangement provides working capital for the housing co-operative that can be used for building modernization and maintenance. These housing co-operatives are successful and financially sound.

Legal Framework

The legal instruments for the housing co-operative sector are:

- The Co-operatives Act, first adopted in 1889, which was reformed in 2006. The Act determines the co-operative's organisational rules, including their business conduct.
- The Rent Regulation Act rules the obligations and responsibilities of all landlords of rental dwellings, including housing co-operatives such as rent increases.

The Co-op Housing Movement

The Federal German Housing and Real Estate Organisation (GdW) is the biggest nationwide umbrella organisation for housing. Its membership includes 1,850 housing co-operatives, 750 municipal/public housing, 154 private housing companies and 55 housing companies owned by the church. It has a three-tier structure and these organisations are represented to GdW by their respective 14 regional federations

GdW and its regional federations share the work of advocacy, legal, financial and technical advice to housing co-operatives and research, training and communication at the federal and regional levels.

Founded in 1969 by GdW and its members and incorporated under a separate legal entity, the DESWOS German Development Assistance Association for Social Housing is the international development arm of GdW. DESWOS is building low-cost housing based on co-operative principles.

For more info, visit: www.gdw.de (German only)

HOUSING CO-OPERATIVES IN HUNGARY

MARCH 2012

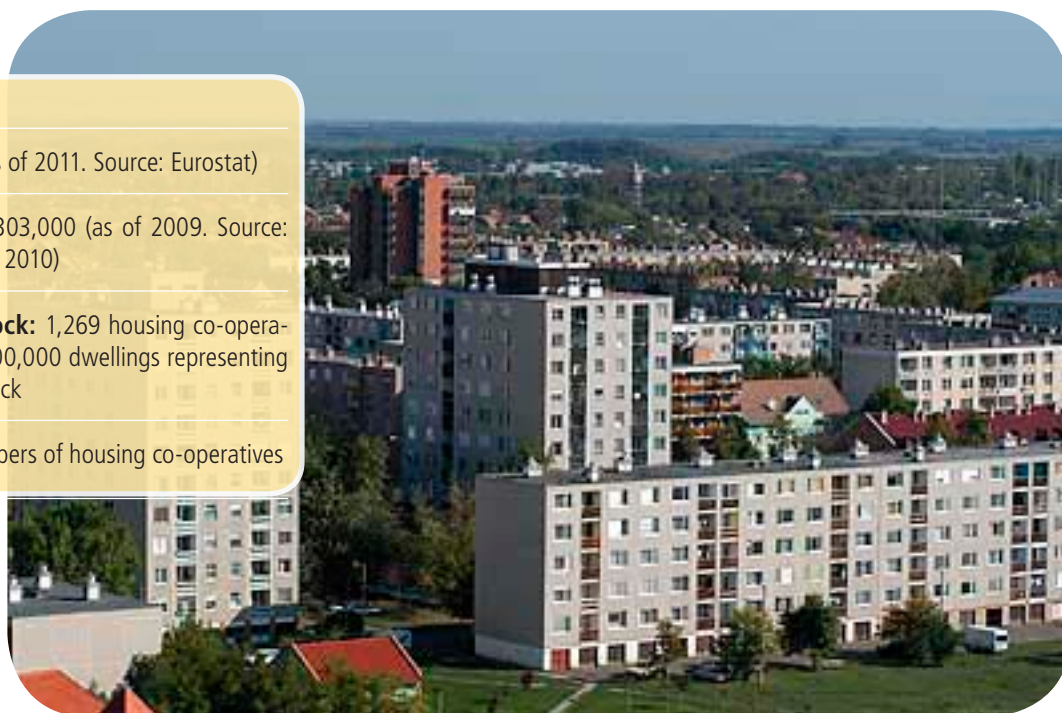
STATISTICS

Population: 9,985,722 (as of 2011. Source: Eurostat)

Total housing stock: 4,303,000 (as of 2009. Source: Housing statistics in the EU 2010)

Total co-op housing stock: 1,269 housing co-operatives with approximately 300,000 dwellings representing 7% of the total housing stock

People: 714,000 are members of housing co-operatives



Source: LOSZ

History

The Hungarian housing co-operative movement has more than 100 years of history. The first housing co-operative in Hungary was founded in Budapest in 1912, and is operating up to this day.

During the reconstruction after World War II, the state constructed mainly tenement flats. Then, in light of the savings that could be made through reduction of the state budget for housing, the involvement of private assets in housing rose in prominence through state-managed housing co-operatives. As a consequence, the 1960ies marked the beginning of a period of intense co-operative housing development through the construction of large multi-storey housing estates. The specific ownership structure of the Hungarian housing co-operatives can be traced back to this historical period. The regulation of housing co-operatives established at that time regarded housing co-operatives as legal entities. Only the land property of the residential buildings and the common building parts were as co-operative property, leaving the flats in the members' ownership. At the same time, home ownership was also one of the conditions of membership in the co-operative. This ownership structure has practically survived until this day despite the fact that since the mid-1960s housing co-operatives have been subject to regulations several times through high-level statutes.

In 1990 there was a significant political and economic change in Hungary causing the financial management and functioning of housing co-operatives to be examined. In 1992 the Act on Co-operatives was renewed and the regulation of housing co-operatives was added as a separate chapter into this act. Between 1996 and 2003, a comprehensive national housing program was developed: according to its legal regulation, since January 1, 2005 the

housing co-operatives have been allowed to function within an independent legal and regulatory framework, and their financial management was further specified in accounting regulations, due to their specific features.

Context

Despite the fact that overall there is not a significant gap between the total number of dwellings and that of households in Hungary, nevertheless there is currently a housing shortage in some areas, particularly in the main industrial and commercial centres.

Unfortunately, no new housing co-operatives were founded in Hungary after the 1990 turning point. Only converted lofts resulted in a slight increase in the number of co-operative dwellings. Nevertheless, in the last 10–15 years, the housing co-operatives played a significant role in increasing the provision of rented flats in Hungary, although the rental housing sector is still small compared to other European countries.

The new government formed in 2010 stresses the importance of construction of rental flats within the framework of housing co-operatives. However, the global economic crisis is hindering the start of a tenement program. Between 2010 and 2011 the Hungarian real estate market was stagnant, and the value of properties was showing declining trends. In the case of construction of privately financed, owner-occupied flats, foreign currency-based credits taken out in recent years caused considerable repayment problems because of the weakening of the Hungarian forint. However, the housing co-operative sector was not directly influenced by this negative development and in 2011, the Government completed a '*Homebuilding Strategy*' representing their housing policy for the medium term.

Description

There are 1,269 registered housing co-operatives in Hungary. At the moment, about 300,000 flats belong to housing co-operatives. Most are in prefabricated buildings constructed between 1965 and 1985.

Up to 1992, co-operatives could not own flats, but they could manage rented flats. Currently flats in co-operatives are owned by the members of the co-operative. The organisation only owns the land, on which the residential building is constructed, and the rooms, furniture and furnishing of common areas in the buildings.

The main activity of housing co-operatives is the upkeep and renovation of common building parts owned by the housing co-operative (a total 256,450 units were renovated between 2004 and 2011 by members of the Hungarian Association of Housing Co-operatives and Condominiums, LOSZ).

Financing

In the past, contributions by members didn't cover the actual upkeep and renovation cost. Instead the state subsidised these functions, categorising their provision as a social benefit. With the political and economic transition in the 1990s, the state retreated from an active role in housing provision and subsidies related to the operation. Public utility services for residential buildings were terminated one after the other. The change called for a dramatic increase in the financial contributions from members to cover upkeep and renovation costs leaving the housing co-operative sector with a shortage of resources. Recognising the challenge posed by this situation, the government has announced several building and renovation support programmes.

Existing support programmes consist of central government funding allocated by the local governments and aim to support renovation and energy savings in buildings. It is a general experience and practice that 1/3 of renovation costs is paid by the housing co-operative, 1/3 through support from the local government, and 1/3 through non-refundable subsidies for renovation which co-operatives can apply for as indicated in the tender documentation. However, the demand for this kind of subsidy exceeds available funding. General-purpose renovation tenders allow for 5 to 10 year duration, interest-subsidised, conditional applications (e.g. it is necessary to establish a minimum renovation fund defined centrally for at least five years before its use). In such cases the housing co-operative contribution is 10–60% depending on creditworthiness and the magnitude of the renovation cost applied. The interest conditions of loans raised may vary between 3 to 7%.

Support options allowed for by the Act on housing savings fund passed in 1997 may also be used for renovations. However, the ownership structure of housing co-operatives poses a problem with regards to obtaining loans, since only a small minority or almost none of them have negotiable property. From the point of view of collateral security, this causes difficulty at bank loan disbursements.

Programmes for the modernisation and energy savings in buildings were renewed for the period 2010–2013 and shifted towards supporting heating, domestic hot water supply, as well as the insulation, renovation and modernization of buildings. This programme called Green Investment Programme is still on-going, and its resources come from the market sale of Hungarian CO₂ quota.

Legal Framework

The 1992 Act No. I on co-operatives (including housing co-operatives), regulates the traditional international co-operative principles, and it regulates housing co-operatives in detail in a separate specific chapter. This Act supplemented the ownership structure enabling housing co-operatives to own flats. It also regulated the management of housing co-operatives and differentiated between internal (upkeep and renovation of common building parts, the mediation of public utility services, operation-related stewardship activities of residential buildings such as cleaning, and the functions related to the accountancy and business administration of co-operatives) and external services (all the activities listed in the statutes of housing co-operatives except for the upkeep and renovation of residential buildings (e.g. letting rooms in common property, internal maintenance and renovation service activity in a flat owned by a member of the housing co-operative, building industry services provided to other housing co-operatives or condominiums or third parties, etc.).

According to the subsequent 2003 VAT Act, housing co-operatives shall not charge VAT on their internal service activities; they only charge VAT on their external service activities.

Housing co-operatives also have favourable conditions with respect to corporate tax rules: if a housing co-operative does not reach HUF 10 million annual sales turnover, it is exempt from paying corporate tax. If, however, this limit is exceeded, the general rules apply.

In 2005, a new Act came into force which better details responsibilities and rights of members of housing co-operatives - as well as condominiums - giving them more security when it comes to management of the property.

The Accountancy Act is governing the management of housing co-operatives. Due to the specific characteristics of housing



Source: LOSZ

co-operatives (non-profit activity, small-sized organisations, the co-operative self-help and co-operation necessitate a management principle based on expenditure, etc.), the accountancy act does not classify housing co-operatives as economic organisations. Instead it denominates a special, so called 'other economic organisation' status and it also allows them to have simplified management book-keeping rules differing from the accountancy act.

The new government's national housing programme foresees a new independent statutory regulation of housing co-operatives and the preparatory work is already under way. The enforcement of international co-operative principles referring to housing co-operatives will be maintained (statutes, board of directors, supervisory board, members' rights and liabilities, establishment, mergers, etc.), but the new statutory regulation will open the door to the transformation of the current proprietary structure of housing co-operatives, the start of tenement house building by housing co-operatives, and the possibility for housing co-operatives to acquire real estate properties. All these elements will be key in fostering new co-operative housing development.

The Co-operative Housing Movement

LOSZ (Hungarian Association of Housing Co-operatives and Condominiums) was established in May 1990 after its secession from its earlier legal predecessor, the national association of co-operatives. LOSZ brings together regional, autonomous associations of housing co-operatives operating in the 19 public administration zones of the country and in Budapest. Housing co-operatives and condominiums can become members of the regional professional associations on a voluntary basis.

The main objectives and functions of LOSZ are: to improve the operating, legal and management environment of housing co-operatives and condominiums; to supply them with information; to organise training and exchange of experiences; to establish and keep governmental and international contacts; to lobby and provide services related to the above-mentioned activities. The member organisations of LOSZ pay an annual membership fee according to the size of the housing co-operatives in terms of stock. Membership fees are collected and transferred to the national association by the LOSZ regional associations.

LOSZ members include altogether 1,021 housing co-operatives (out of the 1,269 housing co-operatives officially registered in the country) and 369 condominiums. Companies and enterprises offering products and services closely related to the maintenance and renewal of residential buildings of housing co-operatives and condominiums can become supporting members. LOSZ currently has 21 such supporting members (e.g. housing savings fund, insurance company focusing on residential buildings, companies designing and implementing energy savings, heating modernisation, etc. of residential buildings).

For further information, visit: www.losz.hu (Hungarian only)



HOUSING CO-OPERATIVES IN INDIA

MARCH 2012

STATISTICS

Population: 1,21 billion (2011)

Total housing stock: 330,8 million Census Houses, out of which 264,3 million houses are for residential and other use (Census of India, 2011).

Total co-operative housing stock: In 2011, 100,000 housing co-operatives with 2,5 million dwellings. Close to 6,000 housing co-operatives in rural areas have contributed to the construction of over 956,000 units.

People: 7 million members (2011)



Kanungo Cooperative Group Housing Society Ltd, Patpar Ganj, Delhi

History

Co-operatives in India were introduced by the British primarily to aid small-scale farmers and to improve access to rural credit. The first co-operative Societies Act was adopted in 1904, which then only included credit co-operatives. The act was soon amended to grant the registration at the State level of non-credit co-operatives, including housing and its administration, allowing them to adapt the legislation to prioritize local needs, in the years 1912 and 1919 respectively.

In tandem with co-operative societies, the co-operative housing movement started to develop at the beginning of the 20th century. Bangalore Building Co-operative Society, the first housing co-operative in India, was founded in 1909 in the State of Karnataka (former State of Mysore). In 1913, the State of Maharashtra (former State of Bombay) set up a non-official body, the Bombay Co-operative Housing Association, which pioneered the propagation of co-operative housing. Among many milestones, the association elaborated model by-laws used in the organisation of several housing co-operatives. It was also the first one to get financial participation of the state in the affairs of housing co-operatives.

The political context and public environment continued to be supportive of the development of co-operatives by the time India emerged independent. In fact, the first Prime Minister of India, Jawaharlal Nehru, supported the growth of co-operatives envisioning them as “a part of his paradigm of democratic socialism”.

However, the development of housing co-operatives remained marginal until the 1950s, mainly due to an inadequate organisational support structure and an unsupportive legislative and administrative framework. Initiatives were undertaken to provide housing for middle and low-income groups in the former states of Madras and Bombay. For example, in 1950 about 4,000 houses were built and 12,000 were under construction by 273 housing co-operatives in the State of Madras whereas in the State of Bombay, 3,500 houses were built, 229 were under construction by 315 housing co-operatives.

The Report of the Working Group on Housing Co-operatives released in 1964 marked a turning point for Indian co-operatives. It

stated that housing co-operatives are the best means to provide decent houses at affordable prices for lower-income groups. One of the recommendations of the Report led to the foundation of the National Co-operative Housing Federation of India in 1969.

Circumstances changed when the co-operative housing sector received explicit support through successive Five Year Plans implemented by the Government (the 1st plan was instituted in 1951–56). The Government of India invested large sums of money to improve the economic conditions of the people through innumerable social, economic and institutional means, along with around one-third of the money allocated to housing in the first plan. The share was 17% in the tenth plan covering the period 2002–2007. Although, the housing share in these plans has decreased over the years, considerable progress has been made.

Simultaneously, a strong support network – both at state and National Federation levels – was brought into action to assist in the development of housing co-operatives. Co-operative Acts and Rules were extended and adopted in every state facilitating the registration of housing co-operatives.

Housing co-operatives were particularly prevalent in Delhi, Gujarat, Haryana, Maharashtra, Uttar Pradesh and West Bengal.

Two events in 1988 changed the face of Indian Housing Policy. First, the National Commission on Urbanisation inferred that housing should, from then on, not restrict itself to the aim of providing shelter, it should explore the broader context of urban development. Secondly, the United Nations Centre for Human Settlements (UNCHS) steered Governments to adopt an “enabling approach” towards housing, i.e. supporting the role of the private and third sectors in housing instead of direct public intervention. Consequently, India along with its states removed legislative barriers to facilitate the participation of the sectors.

In five decades, the co-operative housing movement in India has grown from strength to strength to a commendable figure of 100,000 when compared to a mere 5,564 housing co-operatives

at the beginning of 1960. Housing co-operatives also flaunt a proud membership of 7 million people.

Context

Since the 1990s, India's population has grown at an average of 2% annually, within which the urban population, mega cities and slum populations grew by 3%, 4% and 5% respectively. Industrialisation and urban migration have created a grave housing situation. The UN Report "State of World Population" indicates that 29% of the Indian population is urban and it is expected to approach 41% by 2030. Currently, 55% of the present urban population lives in slums.

In the year 2007, the housing deficit in India was estimated to be 24.7 million houses in urban areas and 15.95 million houses in rural areas, totalling 40.66 million units.

All round participation has been encouraged from citizens and housing organisations to tackle this housing crisis, instead of relying solely on the direct intervention of the government. However, the government has put in place the essential conditions to assist the development of affordable housing.

Over the years, the co-operative housing sector has gained credibility and is trusted as an able entity to provide adequate solutions to the housing challenges in the country. The co-operative housing sector thrives to assist low-income people in attaining decent living conditions through slum improvement drives, affordable housing in rural settings and where private developers are not willing to intervene.

Upon realizing the benefits of housing co-operatives coupled with its "enabling" approach, the National Housing Policy explicitly promoted housing co-operatives in all segments of the population and encouraged the efforts of the co-operative housing movement through preferential allotment of land and house sites, convenient availability of financing and by gradually removing legal and technical limitations.

However, obstacles remain to housing co-operatives realising their potential. With the scarcity of affordable land, the need rises for specific urban land regulations. Availability of financing is still a major problem for many. The high cost of building materials and the inexistent/poor infrastructure (water, electricity, transport etc.) add to the woes of building housing.

In addition, as the very nature of housing co-operatives is to empower people to control their housing conditions, the movement must establish adequate training programs for members, directors and employees. This is a significant challenge for a country where 26% of the population is illiterate.

The concept of urbanisation comes with its share of complexity: housing, employment and poverty are interlinked. Any strategy to address the proliferation of slums and inadequate shelters must take into consideration these different elements. The co-operative housing sector advocates for a multi-objective approach. In order to tackle the problem of slums, NCHF has developed a "Concept of Housing the Slum Dwellers through co-operatives", which proposes to develop multi-purpose co-operatives addressing the link between employment, housing, and poverty.

Description

Types of housing co-operatives:

- *Tenant Ownership Housing Societies:* The land is held either on leasehold or freehold by the societies; the members own the houses, and are leaseholders of the land. They must strictly comply with regulations regarding subletting and transferring of houses but they can build their houses according to their own needs and taste.
- *Tenant Co-Partnership Housing Societies:* The societies hold both land and building, either on leasehold or freehold basis, and members have an occupancy right upon paying an initial share and a monthly rent.

Types of societies-support system for housing co-operatives

- *Housing Mortgage Societies:* These are like credit societies which lend money to their members for the construction of houses. Though, the arrangement for the construction is the member's responsibility.
- *House Construction Societies or House Building Societies:* They build the houses on behalf of members, which are then handed over to them upon completion and the money spent is recovered through loans.

Other characteristics of Indian housing co-operatives are:

- **Basic Amenities:** They manage the basic amenities like water, electricity, sanitation.
- **Education and Recreation:** They build and manage schools, libraries, parks, and gardens.
- **Health and Lifestyle:** They can develop programs for the benefits of their members such as health programs, youth programs, collective transportation arrangements, and ecological improvement programs.
- They are managed by paid/honorary staff and an elected board of directors.

The biggest housing co-operative in India is Vidarbha Premier Co-operative Housing Society located in Gandhi Sagar, Nagpur, in the State of Maharashtra. It was founded in 1930 by 12 members. By March 2011, the membership had reached 40,000 members. It is financially completely self-sufficient.

Many state-level federations have financed rural co-operative housing initiatives benefiting lower income groups. As such, the housing co-operative movement has not isolated or ignored the housing needs of rural areas in the country.

Financing

Housing co-operatives are financed by members' shares and savings and assistance from their federations or other financial institutions.

The federations obtain financing from:

- Shares from the housing co-operatives, the States and other co-operative institutions.



Sainik Cooperative House Building Society Ltd, Bardez, Goa

- Loans from the Housing and Urban Development Corporation (HUDCO), the National Housing Bank (NHB), the Life Insurance Corporation of India (LIC), commercial and co-operative banks, deposits from members;
- Debentures guaranteed by the Government.

State Federations borrow from funding agencies and make loans available to their affiliated primary housing co-operatives as well as individual members. They charge interest margins of around 1% to meet their administrative costs.

Legal Framework

The legal instruments for the housing co-operative sector are:

- State Co-operative Societies Acts and Co-operative Societies Rules administered by the Registrar of Co-operative Societies.
- National Building Code (particularly in the context of recent earthquakes).
- Multi-State Co-operative Societies Act and Rules for the National Federation and Multi-State Co-operative Societies.

The states of Delhi, Goa, Jammu & Kashmir and Madhya Pradesh have included specific provisions about housing co-operatives in their respective Co-operative Acts, which should assist in democratic and transparent management. This welcome initiative has encouraged other states to follow suit.

The Co-operative Housing Movement

The co-operative housing movement in India is a four tier structure: housing co-operatives, district federations, state-level federations and the national federation.

Set up in 1969, the National co-operative Housing Federation of India (NCHF) is the nation-wide organisation for the co-operative housing movement in India. Founded by 6 state-level federations, NCHF takes the lead in promoting, co-ordinating and facilitating the development of housing co-operatives, along with providing guidance to housing co-operatives and their federations.

In addition to a vigorous advocacy and representative role for housing co-operatives, NCHF regularly publishes books and bulletins and undertakes research projects to inform and disseminate information to housing co-ops, the States and the public agencies, and the general public. NCHF has opened a training centre in its premises that delivers courses to member co-operators, directors and the staff of federations and housing co-operatives. It also actively organises educational conferences.

NCHF has also set up an insurance program for the benefit of housing co-operatives in collaboration with the United India Insurance Company and Bajaj Allianz General Insurance Company. It works closely with the Government of India and State Governments to find ways to provide better housing for all and acts as a liaison between housing co-operatives and financial institutions.

The 26 state-level federations are members of NCHF. The constituent team of NCHF includes a 23 member strong Board of Directors, including one chair, two vice-chairs, 19 directors and a NCHF managing director. A seven member Executive Committee also assists the Board.

The function of the 26 state-level federations is playing a significant role in the pursuance of co-operative strategy. It not only provides financial assistance to housing co-operatives in their respective jurisdiction but they also provide guidance on technical matters and assist them in the general co-ordination and supervision of activities, such as assisting them in obtaining building materials. As an example, the Pondicherry Co-operative Housing Federation has set up a Pondicherry Co-operative Building Centre whose main objectives are to "set up manufacturing units of building materials, purchasing bulk quantity of materials for construction of buildings and sell them off to members and public at fair and reasonable price". An idea to promote the use of certified low cost materials helps them to bring a more cost-effective methodology to the construction process. The centre has received several awards for its work.

Approximately 30,000 out of the 100,000 housing co-operatives in the country are members with state-level federations. Non-affiliated housing co-operatives can receive financing from other sources.

There are seven relatively new district federations based in the states of Maharashtra, Gujarat and Uttar Pradesh, whose mandate is to assist housing co-operatives in a particular district.

Apart from serving the basic cause of housing co-operatives, its contribution towards human development lies in creating one million jobs every year in India. The job opportunities in housing co-operatives are related to:

- Organisational management and administration.
- Planning, designing and construction of housing units.
- Post construction management of services and maintenance of houses and community assets.
- Production, transport, storage and delivering of building materials.
- Real estate business related activities.

For more information, visit: www.nchfindia.net



Sainik Cooperative House Building Society Ltd, Bardez, Goa



HOUSING CO-OPERATIVES IN IRELAND

STATISTICS

Population: 4,588,252 (Census 2011)

Total housing stock: 1,940,000 dwellings (Census 2011)

Total social (rental) housing stock: 7.8% of total stock (Census 2011)

Total co-op housing stock: 1,800 rental and equity-sharing ownership houses and apartments managed by seven local housing co-operatives and approximately 3,500 dwellings provided by local home-ownership building co-operatives for purchase by members.

People: 14,000 people live in housing co-operatives



Riverside Housing Co-operative, Loughlinstown, Co. Dublin

History

The formation of co-operative housing societies in Ireland dates back to the 1950s. These were local, self-help, home ownership building co-operatives providing affordable homes for their members. In the 1960s and early 1970s, the growing number of young couples seeking access to home-ownership in the expanding rural towns and new suburban areas resulted in more co-operatives of this type.

Some 3,000 homes were built in the 1970s and 1980s by these types of co-operatives in various parts of the country. These projects generally comprised 10 to 60 houses. Home-ownership building co-operatives continue to be an aspect of co-operative housing development in Ireland.

NABCO (the National Association of Building Co-operatives) was formed in 1973 by representatives of local housing co-operatives as the national representative, promotion and development federation for the co-operative housing movement in Ireland. The allocation of some state financial assistance in 1979 enabled the Association to open an office and to expand its promotion, information and other support services for housing co-operatives.

In Ireland housing policy has traditionally placed a strong emphasis on encouraging access to individual home-ownership. Some 70% of Irish households are private home-owners compared with about 10% in 1922 at the commencement of the Irish state.

Some of the earliest social housing developments in Ireland were initiated by voluntary and philanthropic housing trusts in the 1890s. With the foundation of the Irish state in 1922, state funding began to be directed towards local government for larger scale social housing building programmes. Voluntary housing organisations

continued to play a small-scale role in pioneering housing for the elderly and in response to the needs of homeless people, using mainly private funding and charitable donations.

Changing or emerging housing needs and the identification of gaps in housing service responses resulted in governmental policy adjustments in the 1980s. A diversification of public spending to support the provision of rented housing by not-for-profit *approved housing bodies* was made in 1984 with the introduction of a new capital assistance scheme. This enabled NABCO to commence the promotion of the first rental housing co-operatives in Ireland. In the early 1990s a Capital Loan and Subsidy Scheme for the co-operative and the voluntary housing sectors allowed them to expand their roles.

Since the start of the global economic downturn, government funding for new housing developments has decreased dramatically, by more than 80%. Because of this, capital funding for new housing developments has all but ceased and additional social housing supply is now supported through leasing arrangements. NABCO has worked closely with local government to continue to deliver housing developments through these new mechanisms.

Local government continues its primary social housing role and is also involved in the approval of funds for co-operative housing projects which help to relieve local social housing needs (along with voluntary housing projects).

NABCO has led the development of more than 35 new rental housing developments with affiliated co-operative housing societies and the support of the local government. The co-operative members are represented on the management boards as the *users* of the housing services provided.



Avondale Park Housing Co-operative, Mulhuddart, Co. Dublin

The formation of local co-operative housing societies, in the 1990s, provided the means to pool resources, avoid duplication of overhead costs and provide housing management staff for the delivery of quality housing services to members.

Co-operative housing developments generally range in size between 10 and 80 dwellings, some larger developments with 100 to 200 dwelling units comprise both rental and ownership tenure houses and apartments.

Context

A boom in the Irish economy during the 10-year period to 2008 resulted in large increase in housing construction. Twenty-eight per cent of all Irish housing stock was built in the period 2001 to 2011. Since 2008, the impacts of the global economic downturn have been particularly severe in Ireland, resulting in an over-supply of new housing. As of April 2011, 14.5 per cent of the housing stock in Ireland was vacant.

At the same time, high rates of unemployment, continued high housing costs and poor access to credit mean that 100,000 Irish households have been assessed as being in need of housing support. The challenge for housing providers in light of the economic downturn is to meet housing need using the supply of vacant properties wherever possible.

The provision of social rented housing, mainly by the local authorities, but also by the voluntary and the co-operative housing organisations caters for about 8% of households. This is approximately one third of the total rental housing accommodation in Ireland, although as much as 40 per cent of tenants in the private landlord sector may also benefit from subsidised rent assistance.

Legislation introduced in 2001 required private developers to make agreements with local authorities for the provision of up to 20% of their housing developments for social and affordable housing. A number of housing projects were supplied through this arrangement for co-operative ownership and management. With the fall-off in new housing construction, it is now unlikely that this legislation will provide significant numbers of new homes for the near future.

Current housing policies are articulated through the *Housing Policy Statement* issued in June 2011. The *Statement* foresees an expanded role for voluntary and co-operative housing as fewer new social rented properties are provided by local government. To support new delivery, closer regulation of the voluntary and co-operative sector is proposed.

The co-operative social rented housing stock in Ireland is relatively small but is expanding. This increases the supply of good quality, well-managed dwellings with security of tenure and affordable rents for applicants willing to accept the responsibilities of co-operative membership. The availability of rental housing co-operative ownership contributes towards a socially balanced response to local community housing needs.

The co-operative housing movement has responded to the challenge of Ireland's vacant housing stock by launching a number of policy proposals aimed at returning these units to productive use. Among these is a proposal for a Co-operative Equity Share product that would see families and co-operatives sharing ownership of properties in currently vacant or uncompleted developments.

Description

Key characteristics of Irish housing co-operatives are:

- Not-for-profit - there is no distribution of dividend and any surplus is re-invested to achieve the purposes of the co-operatives.
- Relief of deprivation and meeting housing needs - are defining objectives of housing co-operatives. Co-operative housing societies are relieved from company/corporation and some other tax/duties because of their charitable objects.
- Local developments - generally range between 15 and 80 dwelling units, but some larger developments have been built.
- Shareholding membership - comprises mainly the residents.
- Co-operative rental housing - has no individual member's equity invested and is not made available for tenant purchase or sale.
- One vote - for each member who may be elected to a management committee or the board of directors of a society.

Currently, the societies employ more than 20 staff engaged in housing management/administration, maintenance and caretaking operations and a further 20 are involved in the delivery of co-operative childcare and family support services. The current value of the housing stock owned and managed by co-operatives is about €300 million (as distinct from dwellings built by home-ownership building co-operatives and purchased by members)

The types of housing co-operatives in Ireland can be categorised as:

home-ownership building co-operatives formed for the purpose of building group schemes of affordable ownership houses for members who have the financial capacity to engage in house-purchase.

local co-operative housing societies comprising networks of local co-operative rental housing. These societies provide common services, including management staff, for the upkeep of the local co-operative housing. Their management boards comprise the representatives of the local co-operative housing developments.

Some local co-operative housing societies are also involved in the provision of professionally managed childcare and family support services, using communal welfare facilities provided as part of the co-operative housing developments.

Financing

The membership of rental housing co-operatives is recruited from interested applicants on the local authority social housing waiting lists. This is the requirement of state and local government funding used for the development of co-operative rental housing.

As new co-operative rental housing projects are brought forward, arrangements are made with the relevant local authority for the nomination of interested applicants for whom the co-operative dwellings may be a suitable housing solution in terms of type, size and location. All interested applicants participate in an *information and familiarisation programme*, following which they may decide to apply for membership and proceed to sign a tenancy agreement with the co-operative housing society. The information

programme includes an explanation of the membership, organisation and management of co-operatives, the estate management and upkeep arrangements and the terms and conditions of the tenancy agreement.

Rents are related to each member's household income circumstances, as assessed each year, and the management and maintenance costs (as distinct from market rent levels). A management and maintenance subsidy allowance per dwelling is made available from the state to top-up income related rent payments from the member/tenants in order to meet the full housing management costs.

New co-operative housing developments will primarily be advanced using new leasing arrangements that have been developed by the state in response to the decline in capital funding. The state will provide a proportion of the capital costs of projects upfront with the remainder coming from private finance sources or through the state-backed Housing Finance Agency. The state will then supply additional current funding over a period of twenty years to support the capital costs of the project, subject to the homes being made available for social rented housing.

Legal Framework

Co-operatives in Ireland have traditionally sought legal incorporation and registration with limited liability status under Industrial and Provident Societies Act 1893 – 1978, as administered by the Registrar of Friendly Societies.

Although these Acts do not specifically recognise co-operatives and do allow for the registration of other types of societies, the use of standard model Rules, approved by the Registrar, as issued by NABCO, has enabled the registration of societies which are formed and managed in accordance with the *co-operative principles*.

Provisions exist in the Housing legislation for the issue of *approved status* to housing bodies which have a not-for-profit legal constitution and objects concerned with the relief of housing needs and the provision and management of housing. Approved housing bodies may apply for assistance under the terms of the Department of the Environment, Community & Local Government's funding schemes as administered by the local authorities.

Co-operative housing societies must also comply with all legislation and regulations related to the conduct of their business and activities, including laws relating to employment, safety, building regulations and housing standards, tenancies etc.

The Co-operative Housing Movement

The co-operative housing movement comprises NABCO, its affiliated local co-operative housing societies together with their shareholding members, management committees and staff.

NABCO (the National Association of Building Co-operatives) is a not-for-profit federated co-operative society, legally incorporated and registered under the Industrial and Provident Societies Acts 1893 – 1978. The Association's management board consists mainly of representatives of affiliated housing co-operatives who are members of the local co-operative housing societies.

NABCO's mission is to:

- Represent, promote and develop the co-operative housing movement.

- Support well organised co-operative housing societies to provide and manage good quality housing.
- Contribute to the building of better communities through co-operative living.

NABCO engages in:

- Representation of the common interests and concerns of housing co-operatives at local, national and european union levels.
- Planning, financing and development of more new co-operative housing projects.
- Provision of information, advice and training for members and staff of affiliated housing co-operatives.
- Assistance with legal incorporation of new co-operative societies and guidance for good governance and housing management standards.

NABCO participates in national social partnership, promotes the co-operative movement through membership of the *Co-operative Alliance of Ireland* and is a nominating body for elections to Seanad Éireann (the upper house of the Irish parliament).

For further information, visit: www.nabco.ie



HOUSING CO-OPERATIVES IN ITALY

MARCH 2012



COPES, Villa Fastigi, Pesaro, Italy

History

Italian Co-operatives date back to the mid 19th century. The first co-operative founded in 1854 was a consumer co-op. Not long after, in 1886, a national association was created: Legacoop, Lega delle Co-operative (the Italian Co-operative League, then called Federazione Nazionale delle Co-operative). A split occurred within Lega's membership in 1919 and another national association was created: Confco-operative, the Confederazione Co-operative Italiane (the Confederation of Italian Co-operative). As other European countries, co-operatives were founded on the principle of solidarity with the objective to respond to immediate needs, such as unemployment and high costs of living.

One of the first housing co-operatives was founded in 1884 by the workers of a tobacco factory in Bologna, capital of Emilia Romagna, a region well known for its remarkable co-operative successes. From the late 1800s to the 1920s, several thousands of housing co-operative units were developed. These developments were made possible by the support of several political leaders who saw the co-operative ideology in line with their political and ideological ideas.

Many co-operatives, housing and others, were destroyed during the World Wars and the Fascist regime brought the end of self-help democratically run housing co-operatives.

STATISTICS

Population: 60,626,442 (2011. Source: Eurostat)

Total housing stock: 30,038,200 (2001. Source: Il Mercato della Casa in Italia 2012, VI° report ANCAB-CRESME)

Total social (rental) housing stock: about 4% of total housing stock (2011. Source: CECODHAS 2012 Housing Europe Review)

Total co-op housing stock: about 4,300 co-operatives in activity, with about 672,000 dwellings

Members of housing co-ops: about 618,000

The end of the Second World War saw the rebirth of the Italian co-operative movement. The country had to rebuild its economy and democratic institutions. Legislative changes were brought in to facilitate the development of co-operatives. Article 45 of the new Italian constitution drawn up in 1947 explicitly recognises co-operation. The article reads:

"The Republic acknowledges the social function of co-operation as a form of mutual aid devoid of all private speculative intent. The law promotes and encourages the expansion of co-operation by means of the most suitable means, and provides suitable checks designed to guarantee its character and purpose."

In 1947, a general law on co-operatives, the “Basevi” Law, was adopted to regulate the affairs of co-operatives. This law can also be seen as a key contributor to the successes of the co-operative movement, including housing co-operatives, as it recognised the implementation of the indivisible reserves concept. This concept allowed co-operatives to transfer the totality of their surpluses to a reserve. Completely exempted of corporate tax, these reserves have been the main source of capital and have contributed to the development of the movement.

In 1992, the adoption of the Law number 59 provided the co-operative movement with another major financial development mechanism, the setting up of a ‘Solidarity Fund’. COOPFOND (Fondo Promozione Co-operative) was created as a national fund. Every co-operative, including housing, is required to invest 3% of its annual profit in the fund. In 12 years of operation, COOPFOND has accumulated over 240 million Euros. Only Italian co-operatives have access to this financing.

In general, co-operatives have been experiencing growth since the 1970s. After a difficult period between 1980 and 1985, housing co-operatives went through a strong period of expansion in the 1990s with a real housing development boom until mid 2007. Since then, housing has seen a slowing down of construction putting an end to the booming period.

Until the end of the 1990s, the Federal government had full responsibilities for housing, from policy approval to implementation and financing, leaving a very limited role for the regions. The 1998 housing reform was a turning point in Italian housing policy as it redefines the roles of the players. Housing became a regional jurisdiction. Since then, the development priorities and the allocation of finances towards housing are defined by the regional governments. The Federal government has a more limited role in policy development and building standards approval, statistics collection and information sharing.

Context

Ownership largely prevails in the housing supply, including within the co-operative movement. Only 18% of the total national stock is rental housing, a quarter of which (approximately one million units) is social housing, unevenly distributed across Italy.

For years, the co-operative housing movement has benefitted from positive legislature measures including:

- The exemption of corporate taxes of their surpluses transferred to reserves;
- The possibility for creating consortiums to respond adequately to the needs of the housing co-operatives;
- The right to be shareholders in joint-stock companies and to control them;
- The mandatory allocation in a solidarity fund for future development.

But the social, financial and political context has changed and Italy is today confronted with one of the most severe housing crisis in Europe. In the current context of economic crisis and increasing

unemployment, this trend is likely to continue and it is further exacerbated by the restriction in mortgage lending from banks, which is making it more difficult for households to access home ownership.

First, housing demand has changed because of the demographic transformation. Italy has the highest proportion of people over 65 years old in the European Union. To promote housing policies supporting the elderly, co-operatives associations and union organisations have founded an organisation called Abitare e Anziani.

As in other European countries, Italy is also confronted with the challenge of immigration.

Furthermore, recent studies show that a strong and unusual demand for a rental market also comes from metropolitan social groups composed of university students living away from home, atypical workers with temporary contracts, young people between 25 and 35 years of age, and young couples with small children, categories often characterized by a precarious employment situation and a great deal of mobility within the national territory.



Cooperativa Casa e Territorio, Medicina (Bologna)

Also contributing to the housing crisis is the reduction of public housing. For some years, public housing units have been sold adding to the shortage of adequate affordable housing. The decentralisation of housing provision to the regions has also created large discrepancies across the country, as housing is now subject to regional policy and resources. Scarce financial resources are targeted to the neediest people. The reduction of the federal government involvement, both in terms of implementation and financial allocation, and the liberalisation of the market has also contributed to the housing crisis Italy faces today. Recent surveys reveal that approximately 1 million social housing units need to be built today to respond to demand.

Housing co-operatives are playing an active role to address this crisis. The co-operative housing sector has modified its development strategy to include the building of affordable rental property in the form of social housing co-operatives. Housing co-operatives continue to promote the development of good quality rental and ownership projects applying the principles of urban and building sustainability. Certainly worth noting is the leadership demonstrated by the Italian housing co-operatives towards sustainable development. The principles of sustainable development have been adopted by all Italian co-operative housing organisations, which



ANDRIA Cooperativa di Abitanti, Borgonuovo neighbourhood, Novellara, Reggio Emilia

are engaged in a number of initiatives on this issue and participate into related European projects.

For instance, both Legacoop Abitanti and Federabitazione were partners in the recently completed project POWER HOUSE EUROPE, bringing together social and co-operative housing providers in 8 European countries to exchange experiences and foster progress towards energy efficiency and the use of renewable energy sources in the sector. Among other initiatives, Legacoop Abitanti is involved in the project eSESH - ICT for Saving Energy in Social Housing (which focuses on energy awareness services to enhance consumer behaviour and reduce energy consumption among the residents), and LIFE - ECO Courts which aims at increasing awareness on the impact of housing communities on the environment and natural resources and fostering active participation. Similarly, Federabitazione has an extensive 'quality and sustainability strategy' and through the consortium 'Casa Qualita' has promoted a number of projects both nationally and internationally (such as the European Project SHE – Sustainable Housing Europe and IRH-MED - Innovative solutions for Mediterranean residential housing and ICE WISH - Demonstrating through Intelligent Control Energy and Water wastage reductions In European Social Housing)

Description

There are two types of housing co-operatives: conventional housing co-operatives and social housing co-operative.

Key characteristics for both types are:

- Co-operatives are developed according to a system of approval managed by regional governments and agreements are concluded at the local level.
- Co-operatives are created by a building co-operative.

- Membership in housing co-ops is opened to everyone wishing to live in a co-op housing unit. Membership is not restricted to those who actually live in a co-op unit.
- Each person interested in having a co-op housing unit buys a share of about \$200.00. This share gives the person the right to vote, to be put on a waiting list and to be informed when units are becoming available.
- The people on the waiting list receive an application form when a project or a unit becomes available.
- Membership is approved and the unit is allocated according to the date of application as long as the person meet the eligibility criteria.
- All housing co-ops must contribute 3% of their net surplus to a national development fund.
- Housing co-operatives must transfer 30% of their surplus, to a maximum of 70%, to an indivisible reserve. These amounts are tax-free. Upon dissolution of the co-operative, the reserve must be transferred to the co-operative development fund, and cannot be given to an individual member.

- Management is done through the sector organisations and employees. Volunteers management is very limited.

Conventional housing co-operatives – owner-occupied:

- Units belong to the individual members.
- Units are sold to individual members at slightly below market value to take into consideration the special government subsidies. Some equity restriction is imposed at resale for a period of at least 20 years.

Social housing co-ops – rental:

- Projects are targeted at people with special needs such as the elderly, disabled, people on low incomes.
- Ownership remains in the hands of the co-operative to ensure long-term affordability.
- Individual members rent their units.
- Building design takes into consideration the needs of the target group (accessibility, security).
- Projects obtain below-market funds in the form of direct financing from regional governments (very limited).

Financing

Currently, in the aftermath of the financial crisis, consumer confidence has been dented by the recession and persistently high unemployment, resulting in decreasing demand. Furthermore, there is a difficulty in accessing credit from banks, especially with regard to granting loans to households. So, the average capacity to invest in the housing market of members co-ops is decreasing.

In terms of public support to housing co-operatives, before 1998 financial assistance came from the federal government in the form of interest subsidies on loans in addition to make suitable land available for housing co-operative development. At the present time, financial assistance comes from the regional authorities in the form of capital contribution (for low-income groups) and reduced interest loans. The financial assistance currently represents 10% to 40% of the total project costs.

The co-operative housing financial tools include member shares, member loans, and tax (VAT) exemption, capital raised through indivisible reserves, and mutual funds.

The latter were set up in 1992. 3% of the co-operatives' surpluses are pooled into these funds to finance sector development programs or promote new co-operatives. However, these funds do not finance directly building programs. There are presently 4 national funds in addition to the Ministry of Economic Development Fund.

The 2008 Housing Plan laid the foundation for the establishment of an integrated system of real estate funds at the national and local level. The funds are aimed at financing the provision of residential buildings and social housing. The reference target are households whose income and characteristics do not qualify for the allocation of a public social dwelling but who still are not able to secure for themselves adequate housing at market conditions.

The funds gather resources from public and private stakeholders, including among others *Cassa Depositi e Prestiti* (a public financial institution) and banking foundations. Currently 11 projects promoted by such funds have been launched, with an expected output of about 6,000 dwellings.

Legal Framework

The legal instruments for the co-op housing sector are:

- Article 45 of the Constitution
- Decree Law of December 14, 1947, nr 1577 – “Basevi” Law which regulates co-operatives in the Republic of Italy
- Law of February 17, 1971, nr 127 – new provisions for co-operatives, an updating of the Basevi Law
- Law of November 8, 1991, nr 381 – regulation of the social co-operatives
- Law of January 31, 1992, nr 59 – new regulations for co-op firms (financial aspects – co-operative shareholder members with multiple votes and mandatory allocation of 3% of annual surplus in solidarity fund)
- Law of August 2, 2002, nr 20 – revision of the legislation on co-operatives
- Decree Law of January 17, 2003, nr 6, article 8 – regulations of joint stock corporations and co-operative firms
- Civil Code 2003, ITEM VI – articles 2511 – 2548
- The following specific sector laws: single text n. 1165 of 1938, Law n.167 of 1962, Law n. 865 of 1971, Law n.457 of 1978 and, Law n. 179 of 1992.

The Co-operative Housing Movement

The Italian co-op housing sector is made up of four national organisations (in alphabetical order): AGCI-Abitazione (member of the federation AGCI), FEDERABITAZIONE (member of the federation CONFCo-operative), Legacoop Abitanti (member of LEGACOO), and UNCI. The latter (Unione Nazionale Co-operative Italiane / Union of Italian Co-operatives) is a cross-sector co-operative federation but the housing sector within its membership is very marginal.

The three main federations AGCI, Confco-operative and Legacoop have established an alliance called Alleanza Cooperativa Italiana (ACI) aimed at promoting a stronger role for cooperation in the construction of a more equitable and sustainable market and society. It is an important step in the process of reaffirming the co-operative movement autonomy and its characteristics principles and mutualistic practice.

AGCI – Abitazione / Associazione Generale delle Co-operative Italiane / The General Association of Italian Co-operatives

Founded in 1952, AGCI Abitazione is the sectoral organisation bringing together all housing co-operatives and consortia which are members of Associazione Generale Co-operative Italiane (AGCI). The association is in charge of representing associate co-operatives, promoting co-operation in the housing sector, and supporting professionalization of housing co-operatives.

AGCI Abitazione represents 633 co-operatives in activity with 41,110 individual members. As of today, out of total 90,000 dwellings allocated, about 70% are ownership and 30% rental. In recent years, housing co-ops members of AGCI Abitazione have focused their activities on the provision of rental dwellings and the requalification of the existing stock.

For more information, visit: www.agci.it (Italian only)

FEDERABITAZIONE – Federazione Nazionale delle Co-operative Edilizie di Abitazione / National Federation of Housing Co-operatives

Founded in 1954, Federabitazione provides advice, protection and representation to housing co-operatives and consortia; it promotes activities aimed at increasing and rehabilitating the housing stock taking into consideration the needs of local communities; it supports the entrepreneurial development of co-operatives and consortia; it implements training programmes for members, staff, CEOs of co-operatives and partner organisations; it promotes and carries out activities aimed at increasing solidarity and exchange between regional federations, so as to foster the development of housing co-operatives in all Italian regions; and it provides regular information to its members about technical, legal and economic developments in the sector. Furthermore, Federabitazione has created two national consortia: Consorzio Nazionale CasaQualita' (aimed at quality certification of housing co-operatives), and Consorzio Nazionale Conit-Casa.

FEDERABITAZIONE's membership includes 2,408 co-operatives (2,294 co-operatives, 102 consortia and 12 enterprises with another legal status at June 2011), out of which 2,192 are active. They have built a total 258,700 units (the majority being owner units), with 158,800 individual members.

For more information, visit: www.federabitazione.confco-operative.it (Italian only)

Legacoop Abitanti – Associazione Nazionale Co-operative di Abitanti / National Association of Housing Co-operatives

Created in 1961 under the name Ancab, Legacoop Abitanti is the union representing and protecting the interests of social co-operatives together with their consortiums and members. It coordinates their activities and promotes the co-operative movement in the housing sector. The co-operatives within Legacoop Abitanti promote building programs, directly or with other partners, in order to provide their members with access to housing: members benefit from individual ownership, freehold or rental housing. Activities include new construction, rehabilitation, and additional services to residents. Co-operatives are currently involved in housing for elderly people, for students, young couples and immigrants. Furthermore, co-operatives are particularly concerned by quality and sustainability in urban areas and housing projects, and they carry out several bio-architecture projects.

Legacoop Abitanti's membership includes 1,861 housing co-operatives that have constructed 322,000 property units and have 417,200 individual members. Its membership is divided in 52,000 rental units and 270,000 owner units.

For more information, visit: www.legacoopabitanti.coop (Italian only)



HOUSING CO-OPERATIVES IN NORWAY



Auvitoppen Housing Co-operative, Lier (USBL)

STATISTICS

Population: 5,000,000 (2012)

Total housing stock: 2,400,000 dwellings (2012)

Total social (public rental housing) housing stock: 4,2% of total housing stock (2012)

Total co-op housing stock: 5,350 housing co-operatives have built 261,250 units and, plus the so-called "independent (not affiliated to a co-operative housing association), housing co-ops" representing 15% of total housing stock. 1,363 of these, with a total of 48,695 homes are managed by the co-operative housing associations.

People: in 2011 261,250 members and their families were living in a housing co-operative. 841,000 persons are members of a co-operative housing association.

History

Like many European countries, Norway faced an acute need for housing and reconstruction work after the destruction wrought by the Second World War. At that time, the housing policy's intention was to provide good housing to all by stimulating homeownership in a non-speculating context. The policy developed a high standard of housing for the vast majority of the population. In Norway around 80% of the population are home owners through individual ownership or co-operative housing, leaving a small rental sector. This rental sector is dominated by private households who rent out part of their home, or a second house or a flat they are not using, for a limited period.

From its foundation in the 1930s, the co-op housing movement was seen as a tool to implement Norway's social housing policy. In fact, one crucial strategy for implementing the Norwegian housing model was the clear division of responsibilities between key players, namely the "state, the municipalities and the private sector of which the co-op housing movement was the largest single stakeholder"¹. Financing mechanisms – such as low cost building sites, subsidised loans and grants – were put in place to meet the housing needs of all. The co-op housing sector built houses on the principle of "selling at cost" and taking no profit.

Over the years, the collaboration between the Government and the co-op housing movement grew closer. The state and the municipalities opted to support the development of housing co-operatives instead of, like other countries, encouraging a large public housing sector. Such political support contributed to the creation of one of the largest and most successful housing co-operative movements in the world.

In the 1980s, a major political shift led the social democratic ideology and state interventionism to be replaced by a more liberalistic agenda based on free market economy and deregulation. Price regulation was abolished in the mid-eighties, subsidised loans and grants from the State Housing Bank were gradually reduced to nothing and municipalities no longer provided building sites.

Context

The overall vision of the Government's housing policy is that everyone should have adequate and secure housing in a good local environment. A key aspect of Norwegian housing policies has been that everyone should be able to own their own houses or flats.

However, the average Norwegian faces challenges from steep rises in the price of flats. In addition, public financial support is now mainly directed to people on low-incomes or with special needs. There is no financial support in the housing sector in Norway, including the type of buildings created by co-operative housing associations.

Yet, the co-op housing movement in Norway still plays a central role. Although its links with central government and local authorities in the implementation of housing policy are not as strong as they were. Today, housing associations primarily have to succeed in a free market economy with multiple competitors.

1. Presentation at Colloquium on contribution of the Co-operative Sector to Housing Development, June 2002, Ankara, Turkey



High-rised, low-rised and terraced houses from the Co-operative Housing Association Sorlandet BBL, Kristiansand (Kjell Inge Soreide)

Housing co-operatives are present across Norway, representing 40% of the housing market in Oslo as the housing co-op market share is considerably higher in cities than in rural areas.

Description

The main characteristics of Norwegian housing co-operatives are:

- Each property is owned by the co-operative.
- Each co-operative manages an average of 50 homes.
- Members buy shares, usually at full market value, which give them the right to occupy a specific home. (In 2012 the average share cost is approximately 270,000 €).
- Members contribute a proportionate share of operating expenses.
- Shares are normally transferred in the open market at their full market value, but members of co-operative housing associations have the right of pre-emption to a price set in the market.
- Each member has one vote, irrespective of the number or value of shares.
- The board of directors is responsible for the management, often assisted by a co-op housing association acting as a business manager.
- Local authorities have the legal right to buy 10% of the flats in housing co-operatives.

Financing

Until the 1990s, most of the co-op housing developments were financed through subsidised grants and loans from the State Housing Bank. Loan subsidies were stopped in the mid-1990s and grants only given to certain types of building project such as student flats or specialist housing for elderly people or those with physical disabilities. From 2002, the housing development financing share of the State Housing Bank began to diminish. By 2007, no more than 10% to 15% of new houses were likely to receive a Government bank loan. Previously, the majority of the houses built were financed through the State Housing Bank. The current situation reflects the average loan conditions and lack of developers' interest in using the Government bank for the purpose.

Most of the financial support to the housing sector in Norway is channelled through a housing allowance system run by the State Housing Bank in partnership with the municipalities. Through municipalities, the bank offers mortgage loans to individuals who want to buy a home, but for whom private market loan conditions are out of financial reach. About 9,500 such loans were granted in 2010. In Norway, every property buyer has to pay a 2.5% property tax transfer to the state, although the tax does not currently apply to flat transfers within housing co-ops. The question on whether or not to apply this tax to housing co-operatives is currently under discussion.

Legal Framework

The Housing Co-operative Laws is a joint name for the Co-operative Housing Association Act and the Housing Co-operatives Act, which received major legislative revisions. The renewed acts came into force in August 2005.

- The Co-operative Housing Associations Act

This law sets co-operative housing associations' organisational rules including their business activities framework. It also regulates their business conduct such as member's rights concerning participation in the general assembly and board of directors. A co-operative housing association is owned by its members, open to new members and its first mandate is to provide homes for those members. In addition, associations can manage housing co-operatives and other housing companies, for example, condominiums and rental flats etc. A co-operative housing association usually organises new homes for its members in housing co-operatives, but there are no limitations on the association using other organisational models.

- The Housing Co-operatives Act

This law sets the co-operatives organisational rules including their business conduct such as the one-member one-vote system, participation in the general assembly, maintenance of their flats, rights of pre-emption, and non-payment of monthly fees. It also contains provisions regulating the shareholder's responsibilities as a member of the housing co-operative. The last revision clarified shareholders' rights, including the selling and letting out of their flats, and the security of their investment.

The housing co-operative laws in both acts regulate the system for double membership mentioned below.

The Co-operative Housing Movement

The Co-operative Housing Federation of Norway (NBBL) is the nationwide umbrella organisation for housing co-operatives in Norway. NBBL represents, promotes, develops and provides services to housing co-operatives in collaboration with its member housing co-operative associations.

The NBBL is the fourth-largest membership organisation in Norway. The democratic participation in the co-operative housing movement is impressive with 25,000 elected representatives. Its membership includes:

- More than 841,000 individual tenants and non-tenant members.
- 5,000 housing co-operatives, also called primary housing co-operatives.
- 57 co-operative housing associations (also called secondary housing co-operatives) whose membership varies between 100 and 300,000 individual members.

Norwegian housing co-operative bylaws require individuals to be a member of the housing co-operative and the housing co-operatives association. The system also allows individuals to be a member of the co-op housing association without simultaneously being a member of a housing co-operative. By being a member and stakeholder of the association, the individual can in order of seniority buy a new-build home or use the right of pre-emption when buying an existing vacant home in a housing co-operative. Some people keep their membership for the future benefit of their children.

For more information, visit: www.nbbl.no



HOUSING CO-OPERATIVES IN PAKISTAN



MARCH 2012

STATISTICS

Population: 173,593,000 (2010)

Total housing stock: 19,000,000 dwellings (2005)

Total co-operative housing stock: 2,686 housing co-operatives who have built 2,274,276 million houses/apartments representing 12% of the total housing stock.

People: 1,900,000 people are member of housing co-operatives (2009)

History

Co-operatives were introduced, in what is today the Pakistan Republic, by the adoption of the Co-operative Credit Societies Act of 1904. Their aim was to finance Indian small farmers before the partition of India and Pakistan. The promotion of co-operation was done exclusively by the government in the sub-continent, since there was no other civil organisation dedicated to the cause. The act authorized provincial governments to appoint Registrars of Co-operative Societies and allowed for only registered co-operatives to provide credit. The act was changed with the Co-operative Societies Act 1912 permitting the registration of co-operatives that had objects other than the provision of financing. Under the Government of India Act of 1919, co-operatives were transferred to the provinces giving them the power to make laws regarding the administration and development of co-operatives.

The Malagan Committee Report on Co-operation published in 1915 provided substantial and constructive proposals for co-operative development. This report played a vital role in governmental and civil thinking. Various provinces established committees of enquiry which ultimately promoted the co-operative movement and led to the passing of Co-operative Acts in several provinces.

When Pakistan was created in August 1947, housing was a major problem for millions of people. Independence had created a large influx of migration into the new state. As the state was unable to provide adequate housing for its population, squatter settlements soon appeared and were largely tolerated by government. Industrialization and urbanization accentuated the situation. Refugees and rural migration contributed to the growing number of urban poor.

After the creation of Pakistan, a series of laws, mostly in the form of Governor's Ordinances and later in the form of Regulations of Presidential Ordinances, were promulgated with the aim to ensure the security of public funds and properties owned by the co-operatives.

In the pre-partition days, housing co-operatives had had a modest start. In the province of Sindh there were 46 housing co-operatives



Co-operative Housing Project from the Karachi Co-operative Union Societies Union

located in Karachi (22), Hyderabad (23) and Sukkur (1). In 1949, the Karachi Co-operative Housing Societies Union was founded as a central co-operative organisation by 24 primary housing co-operatives. Co-operators took the responsibility of developing much needed housing, using the township approach, as there was no governmental agency equipped at that time to face the challenge. To support these initiatives, the state leased out more than 1,200 acres of land to the union for township development. Other housing co-operatives such as the Pakistan Employees Co-operative Housing Society Limited also received land from the state. The housing co-operatives in the province of Sindh have played a vital role in solving the ever increasing housing problems in the province, with particular emphasis in Karachi, the largest city in Pakistan. Now, housing co-operatives can be found in every part of Karachi.

In the province of Punjab, housing was the responsibility of the government through Urban and Housing Development and several trust organisations (LIT, RIT, etc.) until the 1970s at which time, commercial and co-operative developers started to do business. However, in the mid 1990s a corruption scandal involving housing co-operatives that deprived thousands of people of the money they had invested in housing co-operatives forced the Punjab government, through the National Accountability Bureau, to reimburse the swindled members. A ban imposed by the Chief Minister in 1997, stopped the registration of new co-operatives.

Even though co-operatives were introduced in the province of Baluchistan in 1950, no substantive development of co-operatives

was made until 1955 when a small amount of financial assistance was provided with the Aid Program.

Housing co-operatives have also developed in the North West Frontier Province as indicated in the statistics section below. In the Capital Territory of Islamabad, there are different types of co-operatives but unfortunately there is no indication of the number of housing co-operatives.

The co-operative movement gained some momentum during the 1960s, the result of financial assistance from the government. Co-operative Banks were established providing loans to agricultural and non-agricultural co-operatives. Although progress was made, lack of supervision by the authorities of some of co-operative societies and absence of specialized and trained individuals caused co-operators to suffer very big losses, in some cases entire life assets, due to corruption and fraudulent actions. The government imposed a permanent ban on various types on co-operatives causing harm to the co-operatives that were acting properly and honestly and creating a climate of mistrust about co-operatives. This serves to illustrate that co-operatives are not exempt from the risk of poor governance, corruption, self interest and mismanagement.

In countries where co-operation took birth, the concept of co-operation continued to evolve for the benefits of the people. Proper legislation, adequate supervision and recognition of people's initiatives are the basis of co-operative development. As indicated above, the legislation is in place in Pakistan as well as co-operative ministries and authorities but they are often not taken seriously or are pressured politically for personal advantage.

Context

Although Asia is considered one of the most fertile and rich regions in the world, lack of planning and efficient technologies means it continues to have the lowest levels of per-capita income. Indeed, most of the population lives below the poverty line level. There are a number examples of Asian countries which have benefited well from the concept of co-operation and are considered as some of the most developed nations - Japan, Malaysia, Singapore, China and Sri Lanka - but others countries have most of their population living below the poverty level.

Pakistan is the seventh most populous country in the world; and fifth in Asia. The housing conditions in Pakistan are, for the most part: overcrowded, have inadequate sewerage, pollution, poor building construction (giving inadequate protection from weather extremities) and no security of tenure. These problems are compounded by an annual population growth rate of 3%.

Housing remains under the jurisdiction of the provinces. Registration of housing co-operatives is done through the registrars and the provincial co-operative housing authorities have the authority to oversee and take control when co-ops fail to comply with their own by-laws. There are five provinces and three territories in Pakistan: the provinces of Baluchistan (Quetta), Punjab (Lahore), Sindh (Karachi), Khyber Pakhtoonkhwa (Peshawar) and Gilgit & Hunza province, Islamabad Capital Territory, Federally Administered Tribal Areas, and Federally Administered Northern Areas.

In 2008, the yearly estimated housing demand was 570,000 units. Actual supply was 300,000 units leaving a shortfall of 270,000 units every year. The consequences of this situation is that almost half of the total urban population now lives in squats or informal

settlements as it was already indicated in the National Housing Policy 2001. These slums and squatter settlements (also called "Katchi Abadis") can be divided in two types: "settlements established through unorganized invasions of state lands" that happened at the time of partition for which most have been regulated in the 1960s, and; "informal subdivisions of state land (ISD)". The ISD's are further subdivided into two categories: the notified Katchi Abadis that have been earmarked for regulation and can obtain a 99-year lease and the development of infrastructure, and the non-notified Katchi Abadis also referred to as slums that will not be regularized because the state either wants the land back for development or deems the land to be ecologically unsafe.

Katchi Abadi Departments were implemented in the provinces of Sindh and Punjab to regularize the phenomenon of informal settlements but have not achieved much success. In Karachi alone, 650 Katchi Abadis are listed. Moreover, according to UNESCAP, the United Nations Economic and Social Commission for Asia and the Pacific, nearly 180,000 households in different parts of Pakistan are facing evictions due to several infrastructure projects, such as roads and highways.

The problem is too big to be solved by the government alone. A concerted effort must be made involving legislative reforms and providing adequate support to housing co-operatives. Measures that have been identified include: legislative reforms to provide security of tenure by conferring title to people living in slums and informal settlements and conferring ownership rights to women; reasonable building costs through market regulations; financial assistance through grants; mortgage facilities and financial mechanisms such as micro-credit in place to help low-income families; adequate environmental measures to ensure a healthy and safe place to live such as roads, water, sewage, drainage, electricity.

As indicated, housing co-operatives have played a vital role in many parts of the country and their work has brought better living conditions to thousands of people. As an example, 5,853 acres (Karachi Development Authority Scheme # 33) have been allocated to 130 housing co-operatives and societies. At completion, the land will provide homes to 3 million people in addition to commercial facilities. Other similar projects are currently taking place in other cities of the Sindh province, such as Hyderabad and Sukkur, as well as in other provinces.

But despite real and considerable progress, the co-op housing movement is confronted by serious challenges to be able to effectively improve the quality of life of Pakistanis, challenges that come as much from inside the movement as from the difficult socio-economic conditions facing the country.

The rapid population growth makes any development plan obsolete very soon after its completion. This forces organisations and the state to remain constantly vigilant to the situation. New development approaches are not always well received and changing the mentality can be a lengthy process, particularly in rural areas. This can create serious setbacks for any new undertaking. The lack of money remains a real barrier to development. The lack of funding is a consequence of two things: no capital availability and a real difficulty of ensuring the local population understands the benefits of saving. The scarcity of urban land results in vertical developments, which must be promoted and supported by the state. Finally, the current political instability disturbs the affairs of co-operative organisations adding to the difficulty for their development.

In addition to these difficult socio-economic conditions, the co-op housing movement is confronted by serious internal problems. Some leaders have indicated that the following weaknesses have slowed down the progress of the co-op movement in the country: the absence of strong leadership, the inability to maintain standards of business efficiency, illiteracy, the lack of education facilities, including management and accounting education. These deficiencies have contributed to some housing co-ops being motivated by self interest to sully the name of housing co-operatives in Pakistan, along with other examples of bad administration and illegal acts from unscrupulous board members. Good ethics and management practices are essential to see the housing co-operative movement grow.

Any developed society should work at increasing the literacy level of its citizens. Everyone ought to follow and feel proud of their culture, tradition and norms. Society should act responsibly and do everything with its own resources independently without any external help. Co-operation teaches self-help and responsibility and society in general would benefit in applying this concept.

The United Nations declared the year 2012 as the International Year of Co-operatives and International Co-operative Alliance (ICA) and Karachi Co-operative Housing Societies Union limited has planned and is preparing for several events to be conducted in the year 2012 making this year a milestone in co-operative development in Pakistan. Ideas and proposals are under consideration by the Union's management hoping that the government authorities and associated bodies will support these initiatives.

Description

Housing co-operatives in Pakistan are developed under the township model where large pieces of land are provided by the state to the housing co-operatives or the Union. The housing co-operatives or the Union carve out plots, develop the land and lease the land to the members. Commodities development such as water and roads are undertaken by the Province/City Development Authority or by the Union for which the housing co-operatives have paid a fee. Commercial buildings are also constructed. The size of housing co-operatives varies according to the land available.

Housing co-operatives members are tenant owners. When the land development is completed, the allotment is handed over to the individual member upon payment. The individual member builds the house themselves following the co-operative/Union site plan and other relevant regulations. Members continue to pay nominal renting fees to the Union. The paying of rent is a condition imposed by the Central Government and is contained within the land transfer agreement. Even though members own their own houses, any transfer of units remains with the housing co-operative.

Generally, the ongoing maintenance of the plots and the houses are the responsibility of individual members and the housing co-operative is not involved. The management of the housing co-operative is under the Managing Committee elected among and by the members.

Financing

Apart from making land available at affordable cost to the housing co-operatives or the Union, the state does not provide any other financing to the development of housing co-operatives.

Since the development is financed exclusively by member contributions, the development process closely follows the ability of

members to provide funds. This means that when the cash flow stops, the development halts and quite often the members lose confidence in the process. This vicious circle could be eliminated by adequate financial mechanisms.

Co-operatives have struggled with this situation in the past but committed individuals and competent societies have helped rebuild the trust of the general public and Pakistan government in co-operatives. A general education/information campaign and encouragement from Ministry of Co-operatives and other authorities would greatly help the work done by the Housing Co-operatives Societies and would demonstrate that co-operation works against inflation and poverty and create good social conditions.

Karachi Co-operative Housing Societies Union Limited has planned and proposed a Housing/Shelter program for the low-income community to the higher authorities for approval. The proposal is under examination. It is hoped that the authorities will seriously consider supporting this initiative. If implemented, KCHSU Limited will be allotted land. KCHSU will contribute with its own financial means and social interventions to provide upgraded facilities to lower income persons. KCHSU believes the major element for creating a positive and trustworthy development climate with national and international organisations willing to finance housing projects is the implementation of a proper financing framework. The Housing/Shelter program proposed by KCHSU, a credible and reputable organisation with proven records, pursues this objective.

Karachi Co-operative Housing Societies Union has also offered to Sindh provincial authorities to rehabilitate and reactivate the Sindh Provincial Co-operative Bank (SPCB), once the main co-operative lending institution in the province. KCHSU has offered to the authorities to introduce the concept of consumer financing, to modernize the institution through several mechanisms, policies and guidelines ensuring effective recovery of loans and a transparent administration. KCHSU is ready to provide sufficient funds for the working capital and loan requirements.

Legal Framework

The legal instruments for the housing co-operative sector applicable to all provinces of Pakistan are:

- The Co-operative Societies Act 1925 (which is the extension of the Sindh Co-operative Societies Act of 1925 to the country from the end of April 1965).
- Co-operative Societies Rules 1927.
- An ordinance was promulgated in 1982 in the province of Sindh under the name Sindh Co-operative Housing Authority 1982, to ensure the proper functioning of housing co-operatives.

The Co-operative Housing Movement

There is no national organisation of housing co-operatives in Pakistan and the scope of co-operatives vary widely from province to province. However, housing co-operatives do get together on some occasions and it should be noted that each province and territory have co-operative departments with the responsibility to promote as well as to monitor any type of co-operative development. Provincial statistics of co-operatives are indicated in the table below.

	Co-operatives (all type)	Members	Housing Co-ops	Members	Houses/Units built
Pakistan	8,073	26,69,605	2,687	1,955,190	2,274,276
Province of Sindh	3,605	15,46,545	1,275	855,989	1,050,000
Province of Punjab	2,570	8,26,626	669	647,635	725,000
Province of Baluchistan	1,236	1,47,341	511	311,250	311, 250
Province of N.W.F.P	662	1,49,093	232	140,316	188,026

A pioneer of the co-operative housing movement in Pakistan and a member of ICA, The Karachi Co-operative Housing Societies Union Ltd (KCHSU) is a major player in the province of Sindh whose mandate includes:

- To acquire land from the government and other agencies on lease and to sub-lease to members.
- To develop the land such as site design, building of roads, water sewage lines, electric lines etc.
- To provide and maintain sanitary and other services and levy charges on the member societies and individual plot owners until the land is transferred back to the local authority.
- To design and/or construct necessary facilities such as school, stores, etc.

KCHSU is a credible co-operative Union having a reputation extending to more than 6 decades. In addition to being involved in housing co-operative development, KCHSU is pursuing the establishment of credit unions; stimulating the involvement of youth; promoting co-operative education and literacy; working toward women's empowerment for safeguarding the rights of women and removing gender discrimination.

KCHSU is a member of the International Co-operative Alliance (ICA).

Today, the Union has 1,200 housing co-operative members. So far, the Union has developed land for 4,800 residential units, 84 public amenities, and 750 commercial amenities. 2,500 houses and 8 schools have been built. KCHSU does work in Katchi Abadi by financing housing co-ops to build houses.

The Union went into a very difficult period where its resources were dilapidated and the democratic functioning was corrupted. After 3 years of hard work (2004–2007), under the supervision of the Registrar Co-operative Societies and the support of its members, the Union is back working with the same principles of its founders.

For more information about KCHSU, visit: www.kchsunion.com



Housing Co-operative Project from the Karachi Co-operative Housing Societies Union

HOUSING CO-OPERATIVES IN POLAND



MARCH 2012

STATISTICS

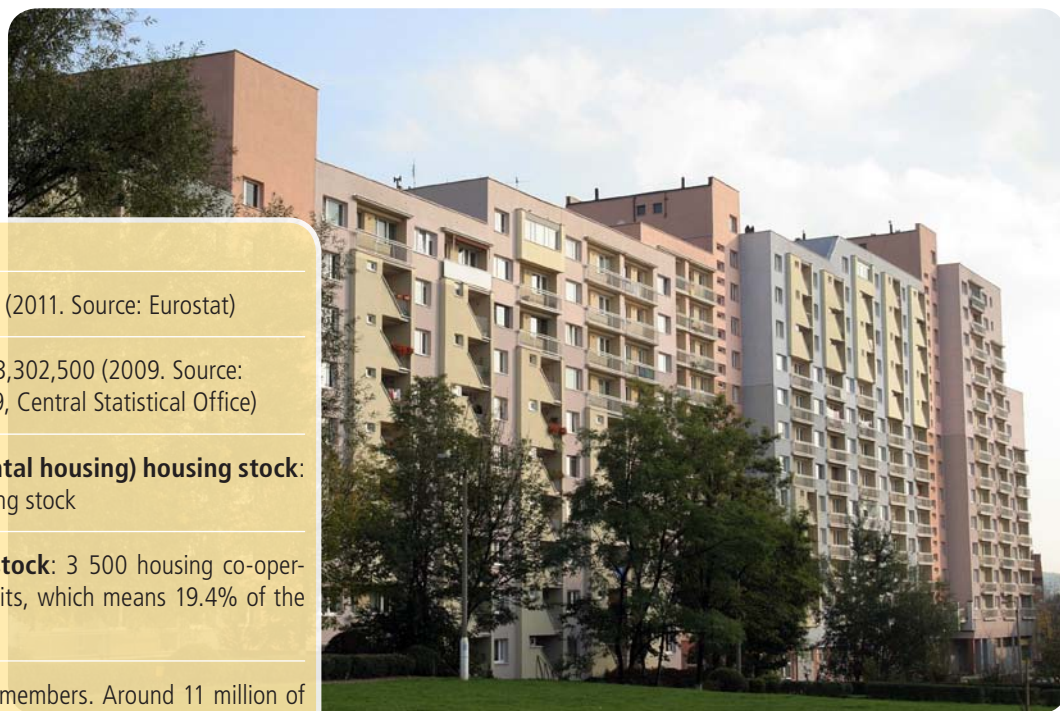
Population: 38,200,037 (2011. Source: Eurostat)

Total housing stock: 13,302,500 (2009. Source: Housing economy in 2009, Central Statistical Office)

Total social (public rental housing) housing stock: about 10% of total housing stock

Total co-op housing stock: 3 500 housing co-operatives with 2,583,000 units, which means 19.4% of the total housing stock

People: about 4 million members. Around 11 million of Polish citizens live in co-operative housing.



Chorzowska SM

History

Housing co-operatives existed in Poland before the formal regaining of independence in 1918. Over 100 years ago, the first housing co-operatives, called housing societies, were founded by both Poles and Germans in the German sector of partitioned Poland. Even though the portfolio was small (only about 40 co-operatives) they provided an example for the future.

In 1921, two types of housing co-operatives were established in Poland: the lodger co-operatives which were rental properties and house-building or property co-operatives where members were owners of their respective units and co-owners of the property. Statistics indicate the existence of 676 building and lodging co-operatives by 1924.

The Second World War (WWII) brought enormous destruction to the housing stock. As a result a new form of housing co-operative, called housing-administration co-ops, was founded. These co-operatives received properties from the state on the condition that members would restore them with their own means. These co-operatives managed the properties until full amortisation of the restoration costs. Many of them afterwards were liquidated. 40,000 units were restored with this system.

After WWII, Polish housing co-operatives were redefined according to the model of the Union of Soviet Socialist Republics in order to fulfil the economic and social roles defined by the Communist Party and the government. Housing development was centrally planned including production targets, design and quality standards and allocation of units. Co-operatives played a key role in addressing the housing problem faced by Poland after WWII. As housing development responsibility was gradually transferred to them, they

became the most important movement of this kind in Central and Eastern Europe.

Several development measures were put in place such as a credit system, state guarantees for long-term individual savings, land transfer to housing co-ops through perpetual leases of the developed land, and the sale of state owned properties to co-ops. Housing co-ops became almost a monopoly, being the main organisation responsible for fulfilling the housing needs of the Polish population and the main actors on the housing market. By 1980, 80% of newly constructed dwellings were housing co-ops. Housing co-ops also contributed to the establishment of new social infrastructures by building and developing various kinds of social services (cultural, youth, libraries, etc.) in collaboration with their respective local authorities. At the end of the communist period in 1989, there were 4,021 housing co-ops with 2,672,000 dwellings with 3,500,000 individual members.

For 50 years, from 1945 to 1990, housing development was formulated in the context of a socialist economic policy. With the collapse of the socialist economy in the end of the 1980s, the entire housing policy (finances, production, allocation, and legal) needed to be redefined. A major shift was undertaken from direct state intervention to regulator of housing activities, from centrally planned to market economy development. In that context, housing co-operatives were seen with suspicion, being identified with the old regime. All co-operative structures were abolished through the Act of 20 January 1990 concerning changes in organisations and activity of co-operatives (except for the Supreme Co-operative Council as a national structure for all co-operative sectors), and only primary co-operatives remained. Co-operatives were seen

as not being viable in the new market system as they had been heavily subsidized by the state. Generally, the co-operatives' share in the different sectors of the economy dropped and their membership declined, although the presence of housing co-operatives remained significant. In 1991 a change in legislation permitted the creation of co-operative auditing unions (under the condition that they would not conduct any business activity), and a slow and difficult process of reconstruction of co-operative structures started.

The end of the Communist regime brought about market liberalization and the economic transformation of social, economic and political systems. This "shock therapy" (as expressed in some literature) pushed Poland into the most severe housing crisis witnessed in Europe in 1990. The housing production declined from 150,000 units in 1989 to 55,000 units in 1996, due to increasing costs and lack of capital. Even large housing co-ops who had at their disposal 50% to 80% of the land in particular quarters of some cities were unable to plan any new development and concentrated their resources in managing their existing portfolio. At that time, people could wait 15 years before getting an apartment in an urban area. Most housing co-ops had to liquidate the social activities they had put in place. Furthermore, during the 90s most of large housing co-ops were divided into smaller units.

Unit privatization was encouraged and tenants could buy their units at very advantageous terms, with a discount on the sale price of their unit up to 80%–90% of the market value.

Legislation was adopted to frame property rights. The low interest rate loans were converted to a market rate loan and the government continued to provide a large subsidy to help in the transition. In 1995, 48% of co-op housing units were owner-occupied compared to only 16% in 1988. By 2001, 67% of the co-op dwellings were privatized. The co-op housing monopoly ended with the establishment of other forms of tenure such as condominiums, and in 1994, housing co-ops represented close to 28% of the total housing stock.

The Law on Rents and Housing Allowances was adopted in 1994 as a first attempt to increase rents to cover operating costs while protecting the low-income families who could not afford to pay at a higher rent level.

The Act on Selected Forms of Support of Housing Construction, adopted in 1995, brought back rental housing co-op construction. The National Housing Fund (NHF) was created to finance the provision of low cost rental housing by not-for-profit housing developers (TBS) as well as housing co-operatives. The NHF provided preferential credits covering up to 70% of the construction costs.

The functioning of housing co-operatives, as of all other co-operative sectors, was regulated by the general 1982 Co-operative Law (with successive changes); up until the year 2000 when legislation specific to housing co-operatives was passed (Act of 15 December 2000 on Housing Co-operatives). The Act included the obligation to transfer the ownership right to the premises to individual ownership upon a member's written demand. In this case the payment of the difference may not exceed the equivalent of 3% of the current market value of the ownership right to the premises, a symbolic price. The said provision was deemed unconstitutional by the Constitutional Tribunal in its decision of 21 May 2001. Despite the judgement by the court, this provision was inserted in following amendments to the Act introduced in 2007 and 2009.

Furthermore, the Article 26 p. 1 of the abovementioned Act on Housing Co-operatives stipulated that when all dwellings in a given estate have separate ownership status, a "housing commonwealth" (a kind of condominium) must be established for the management of the estate. In such a case the co-operative is deprived of its rights to manage the estate threatening the liquidation of many co-ops.

In 2007 the change of the law on housing co-operatives abolished the co-operative ownership right to dwelling and replaced it with an individual ownership right; the construction costs under this law were fully covered 100% by members.

Most recently, as a continuation of the process of liquidation of Polish co-operatives, two bills were presented which contradicted a number of co-operative principles, but it was rejected by the Polish Parliament in 2011.

Context

Many changes have happened since the 1990s including the development of funding to assist a private mortgage finance system, a commitment to the expansion of housing construction, proposals for the introduction of low-interest (fixed rate), long-term credit for housing purposes, and important changes in the legal process to eliminate legal and administrative bottlenecks. However, there are still major challenges ahead. Polish society is still facing severe economic challenges, such as the high rate of unemployment, particularly among the youth.

Housing costs have increased as the government withdrew from subsidies and the prices of housing and complementary services were released. During the Communist regime, rents were strictly controlled. Rents were set by administrative decision; they didn't pay for operating costs which were instead largely subsidized by the state. In 1994, a rental housing reform was undertaken for housing to reach European Union standards. Rent regulation was significantly reduced and finally abolished for the whole private rental sector in 2005, leading to an increase in rents. Furthermore, currently housing production by private developments is mainly targeted to high income buyers. Poles were accustomed to paying between 2 to 12% of their income for housing expenses, and find it very difficult to adapt to a situation where - according to the European survey EU-SILC- housing expenditures currently represent between 21,7% (average for the total population) and 36% (for those below the poverty threshold) of the household's income.

Furthermore, financial resources are still limited and mortgage credits are very expensive, making them unaffordable for the majority of the population.

Also in terms of availability of housing Poland, with 348 units per 1,000 inhabitants, has one of the lowest rates in Europe. There is an estimated housing shortage of 1,5 million of units in the country, and it is estimated that over 1 million households still live in non-voluntary cohabitation, mostly young households that are not yet able to find a home for themselves.

Another major element impacting on the housing situation in Poland is the poor quality of the housing stock built during the Communist regime. Built using the prefabricated concrete panels' technology, the buildings are in need of major restoration work, including better insulation in order to reduce energy inefficiency. The amendment to the Construction Law in September 2007 includes

the implementation of the EU directive on Energy Performance Certificates which will come into effect in 2009. It will be mandatory for all houses and flats in the market. The issue of housing sustainability is gaining in importance.

Article 75 of the Constitution of the Republic of Poland stipulates that public authorities should support the development of housing. This may be understood on the one hand as a duty of public authorities to take construction initiatives by themselves (social housing for citizens who are not able to afford to cover total construction costs) and on the other hand as a duty to introduce various forms of assistance to the dwellers of social dwellings, mainly as financial contribution from public means. Finally, the authorities have a duty to support all actions of the citizens aiming at obtaining their own flat. Here is of course the space for the co-operative form of satisfying housing needs which requires an advantageous legal system (cheap credits, tax exemptions and reliefs, direct financial contributions etc.) that in fact has not been introduced thus far. The national co-operative organisation has suggested some legislative changes to support the development of housing co-operatives such as providing equal access to subsidies to co-op members as other regular renters as well as giving housing co-ops access to new lands at preferential terms.

In addition to the difficult housing environment, housing co-operatives face additional challenges including rent arrears and low qualifications in housing management.

As a consequence, housing co-operatives are no longer the main housing developer as in the past, as their activity has been diminishing over time. While at the end of the 80s on average 68,000 co-operative dwellings were constructed annually, only 9,000 units were built by co-ops in 2006, diminishing to 5,100 in 2010. Only 10 per cent of co-operatives conduct any developer's activity; if so they usually construct single buildings. Most of the co-ops fulfill only management functions, but there are no legal barriers to conduct both activities.

Description

Today, even though housing co-operatives are not the main housing provider anymore, they still represent about a fifth (19,4%) of the total housing stock, with 3,500 co-operatives and over 2 and a half million units. It is estimated that around 11 million Polish citizens live in co-operative housing. Although many big housing co-operatives were divided into smaller properties, housing co-operatives even nowadays can also be huge organisations, up to 100,000 individual members per co-operative.

As mentioned above, originally there were two types of housing co-operative in Poland: ownership and rental. The share of ownership housing co-operatives rose constantly since the major shift

toward economic liberalisation of the 1990s. In 1990, 57% of the 2,7 million co-op apartments were rented whereas in 2002, the rate of owner occupied units was 75%.

Today, all co-ops are ownership co-operatives. However in some cases a co-operative can have both ownership (mostly prevalent) and rental dwellings. The number of co-operatives providing both ownership and rental dwellings is systematically decreasing, and all new constructed co-operative dwellings have ownership status. Currently out of the total dwellings stock in housing co-operatives about 83% are owner-occupied dwellings and 17% rented dwellings.

Currently, key characteristics of Polish housing co-operatives are:

- Individual ownership, which is limited to the units while the co-operative owns the land and building.
- Members buy shares equivalent to the full construction cost of their unit.
- Co-op owners can withdraw from the co-operative when full construction costs are paid and these owners can create a condominium corporation for management.
- Members can sell their proprietary right and the co-operative have the right to accept the new member.

Financing

Before 1990, housing co-operatives were financed by members' own resources and highly subsidized loans made by state controlled banks. Over the

period of 1995–2004, the state subsidies decreased tenfold.

The housing framework 1999–2003 included:

- Mortgage interest rate subsidies for low-income households to purchase homes.
- Direct lending from the National Housing Fund (NHF) to support rental co-operatives and social rental construction for low-income households: Housing co-operatives were able to access loans from NHF covering up to 70% of the project costs. Loans were extended for 35 years and the interest rate was half of the regular market rate.
- State-supported credit arrangements for housing renovations to improve the condition of the prefabricated buildings.

But the financing opportunities provided by the housing framework 1999–2003 have been systematically suppressed and practically do not exist anymore. A tax reform which entered into force in



Plocka SML-W

2001 abolished all fiscal reliefs on the area of both new housing construction (investment relief) and management and maintenance of the existing stock (renovation relief).

Most importantly, the NHF was liquidated in 2009. The public bank Bank Gospodarstwa Krajowego (BGK) must continue the program, with the same conditions of issuing mortgages, till finalizing the service of applications delivered to the Bank by the end of September 2009.

A new framework has been discussed for a long time; however no concrete decisions have been made thus far.

On the other hand, housing allowances are provided by the municipalities to help low-income people. The existing system of such support, despite the limitation of its scope, is very important also for housing co-ops as it guarantees them liquidity and the possibility to maintain the co-operative estates in a good technical and aesthetic state.

Also available, the 'Thermo-renovation Fund' provides financial assistance to implement heating efficiency improvement measures. The assistance provides 25% of a loan contracted with a commercial bank. Housing co-operatives use the fund to modernise their apartment blocks.

Finally, some housing co-operatives built and sold additional units on the top of their buildings to finance the modernisation work needed on their property.

Legal Framework

The legal instruments for the co-op housing sector are:

- 1982 Co-operative Law (amended several times after 1989)
- 1995 Act on Selected Forms of Support of Housing Construction
- 1994 Act on Lease of Dwelling Premises and Housing Allowances – to help poor families cover the full rental price
- 1994 Law of Ownership Dwellings – ownership transfer from municipality to housing co-ops along with creation of housing co-ops automatically after the transfer.
- 2000 Act on Housing Co-operatives
- 2007 Act on the Change of the Act on Housing Co-operatives

At present, Polish co-operatives (including housing co-operatives) basically operate in accordance with the two incompatible legal acts, i.e. the Co-operative Law Act of 16 September 1982 and the

Act on Housing Co-operatives of 15 December 2000 (see above, 'History'). Since their promulgation, both these Acts have been going through numerous amendments (the former one over forty times, the latter over twenty times). This situation is causing worry and uncertainty among the co-operative housing movement, which has been strongly advocating for a more favourable legal environment with the support of international organisations.

The Co-operative Housing Movement

ZRSMRP, the Auditing Union of Housing Co-operatives of Poland, was constituted during a Congress of Housing Co-operatives in November 1992 and officially registered in February 1993. Its main authorities are the National Congress, the Supervisory Council and the Board of Directors. According to Polish legislation, the union operates as an Auditing Union of Co-operatives with the purposes of:

- Conducting audits of co-operatives
- Representing their interests on national and international levels
- Conducting training, advisory and publishing activities
- Initiating co-operation with other national and international co-operative organisations.

ZRSMRP has 620 members all over Poland (out of a total 3,500 housing co-operatives in the country), with 1 million members. It is the main structure for housing co-operatives at the national level.



Lubelska SM

For more information, visit: www.zrsmrp.com.pl (Polish only)

There is also a smaller National Auditing Union of Housing Co-operatives, as well as several regional auditing unions. However, a large number of co-operatives are not associated to any of them as the membership in the unions is not compulsory.

The National Union of Tenants and Co-operators was established in 1997 with the aim of changing co-operative law, educating co-operators about their rights and defending their member rights towards co-operative, local and national authorities. It is an organisation founded by the tenants and members of co-operatives who have been disappointed by the policies of housing co-operatives and the existing unions and accounted that it was impossible to solve their problems using the normal procedures binding in co-operative organisations.

As far as other co-operatives organisations are concerned, there is the National Co-operative Council – the apex organisation for co-operatives in all sectors (including housing).

HOUSING CO-OPERATIVES IN PORTUGAL

MARCH 2012

STATISTICS

Population: 10,642,841 (2010)

Total housing stock: 5,880,000 dwellings
(CECODHAS 2012 Housing Europe Review)

Total social (rental) housing stock: 194,040, representing 3.3% of total housing stock (Idem)

Total co-op housing stock: 100 housing co-operatives with 180,000 units built over 30 years (2009)

People: 600,000 people living in housing co-operatives (2009)



NHC, Alfragide, Amadora

History

At the end of the 19th century, the housing situation in Portugal constituted a health and social problem due to the rapid urban expansion and widespread poor living conditions. During that period, co-operatives started to be recognised and the Commercial Code adopted in 1867 included a provision for co-operatives. Even though Portugal was the second European country to recognise the importance of co-operatives, the first building co-operative was only set up after the Second World War.

Throughout the First Republic (1910–1926) and the Military Dictatorship (1926–1932), the economy was dominated by the liberal principles of free enterprise and the interests of property owners. At times, the state tried to implement some modest measures to the benefits of tenants but since housing was not a priority for the government, no actions taken produced any significant improvement in the living conditions of the vast majority of the Portuguese, resulting in the appearance of slum neighbourhoods.

In the Estado Novo period (1933–1974), the protectionist state played a more dynamic role with regard to housing. A new social housing program for low-cost homes was set up and new legislative, financial and fiscal measures were adopted. The program promoted single family homes; collective housing was seen as against the social order. Even with this financial help, no more than 18% of the annual housing construction from 1950 to 1973 was social housing. After the Second World War, the state adopted a rent control law in the cities of Lisbon and Porto which had the effect of a progressive vanishing of rental housing and increased the housing deficit. By 1950, Portugal lacked 500,000 housing units and its existing housing stock was in poor condition due to a lack of investment from private owners, a consequence of the strict rent control policies.

Co-operatives played a marginal role. They were tolerated by the state but were not supported because their democratic, egalitarian and open philosophy was contrary to the authoritarian and

centralizing state. The first building of housing co-operatives began after the Second World War in Lisbon and Porto. These housing co-operatives were more associations of people than real enterprises. Members paid a monthly contribution until they were allocated a unit. Allocations were made according to different selection modes and there were no rules regarding the disposal of units. Since there was no state financial help, members had to have the financial capacity to pay for the entire cost of the unit. This had the effect of excluding low-income people. In 1974, 8,000 units, representing around 1% of the annual housing construction, were built by these co-operatives.

During that period, the housing co-operatives applied political pressure to get financial assistance from the state. In 1969, the Housing Development Fund was created as an eventual result. Within the fund, a co-op housing technical service called SAL – *Sector de Apoio às Co-operativas* – was set up. The service provided development assistance, such as technical assistance and training, until 1978.

After the revolution in 1974, about one quarter of the population lived in overcrowded houses. However, the democratic state now recognised the urgency for an intervention and the role it had to play within it. Two legislative measures were adopted. The first one, the DL 730–74, defined the new housing co-op regime – *Co-operativas de Habitação Económica* (CHE) – based on democratic principles, political neutrality, voluntary membership, and non-profit operations. The regime imposed specific operating rules (renting, transferring, selling, etc.) but also allowed anyone to join as income limits were not imposed. The second legislative piece adopted, the DL 734 – A74, defined the financial assistance provided by the state (tax exemption, advantageous financing, land availability). The financing covered 85% to 90% of the total building costs. Municipalities also played an essential role in the development of housing co-op projects mainly by providing

land through “right of use” agreements or expropriation. These measures allowed for the development of housing co-ops in a very difficult financial context (interest rates were 22.25% in 1979). Between 1976 and 1979, an average of 2,600 units were built annually by the housing co-operatives.

The new state also facilitated the emergence of social movements. Citizens and experts, through the establishment of commissions called SAAL – *Serviço de Apoio Ambulatório Local* – were united to develop new approaches toward housing and assist the state in the housing sector. Even though this movement became more and more political and lost its profile overtime, it has been the key initiator and actor of the development of the co-operative housing movement.

With the development of new housing co-ops came the need to structure the movement. The first organisation founded in 1979 was SENACHE - *Secretariado Nacional das Co-operativas de Habitação Económica*. Unions were also created in the North to co-ordinate the activities of housing co-operatives. FENACHE - *Federação Nacional das Co-operativas de Habitação Económica* replaced SENACHE in 1980. From there on, the co-operative housing movement grew.

At the beginning of the 1980s, in the context of a liberalised economy and imposed restrictions by the IMF, financial assistance was suspended, namely by cancelling the FFH - *Fundo de Fomento da Habitação* – an existing state fund created to support social housing development. A new institute was then created to support the construction of social housing, the INH – *Instituto Nacional da Habitação*. The rules were different, though. Whilst, previously the FFH supported the whole process, namely the whole cost of the infrastructures and up to 90% - 95% of the construction costs through long-term loans, the INH now financed only the construction costs and the loans given were short term. The buyers had to get loans in the so-called IECs – *Instituições Especiais de Crédito* – a group of 3 to 4 banks authorized by the state.

This was a very difficult period for those Portuguese with lower incomes. However, due to the favourable economic cycle and the difficulties in finding a house in the rental market, together with the very low tax rates, co-operatives showed a significant success in the decade. There were years in which housing co-operatives built around 10,000 dwellings. Population, state, municipalities and banks started to look at the co-operatives with respect and admiration. The costs were now about 30–40% lower than the going market rate.

In the early 1990s, the state drastically decreased its support for the development of social housing. Poorer families resented the change and the population started to resist this change of policy. A White Book on housing appeared. Following these events, the government approved the PER Programme – *Programa de Erradicação de Barracas* – with the aim of providing housing to 40,000 families living in slums. However, this programme involved only the state and the municipalities, leaving co-operatives without a role.

With the increasing retreat of state support, the disappearance of incentives and the limitations imposed to access the remaining financing available only through certain programs, the diminishing availability of affordable lands and speculation, housing co-operatives were forced to adapt and changed their “cliente” to serve more middle and middle-upper income earners than their original goal to house low-income people had allowed for.

Context

Today, the co-operative housing sector is the second largest co-op sector after agriculture in the country by number of co-ops. A speculative housing market marked with high prices both for tenants and owners and accompanied by state policies aimed at improving the living conditions have contributed to the expansion of the housing co-operatives. But with more limited state financial support and higher land prices, housing co-operative members have also changed – from accommodating low-income families to more middle and middle-upper income families.

Renowned for their dynamism, housing co-operatives continue to build quality dwellings at lower costs than the market. They are leading the construction of sustainable and energy efficient dwellings that are usually sold 20% less than the regular market price.

Their concern for good quality housing includes architecture, environment and urban integration as shown by the adoption in the 1990s by FENACHE of the Charter for the Quality in Co-operative Housing. This established rules for building and rehabilitation of sustainable housing co-operatives and their involvement in the *Sustainable Housing Europe (SHE)* project.

The State Strategic Housing Plan, still under discussion, is changing the perspective of the social housing policy in the country. Instead of having a social housing policy, the country has a social policy for housing whose aim is to create targeted dwellings for the different needs of the citizens and families throughout their lives. The policy is based on three axes: building at controlled costs; rehabilitating the existing stock; stimulating the rental market. To achieve these objectives, the state foresees the establishment of partnerships – public, private, public-private, even individual owners. The IHRU – National Institute for Housing and Urban Rehabilitation (which replaced INH) works as a regulator agent.

FENACHE has applauded the document but has pointed out some outstanding problems, such as the lack of affordable land; the need to update the existing legislation; and the current policy of selling social dwellings to tenants instead of keeping them for the families in need. And the plan brings a new one – the possibility for any agent in the market (including individuals) to be involved in a social housing development, opening the door to deficient technical knowledge.

Portugal is still dealing with deficient building conditions. The housing stock is old and overcrowded. Moreover, development remains difficult due to: a lack of land, considerable building and maintenance costs, heavy administrative processes and rigid building parameters. However, the problem with slums is almost overcome. As indicated, the PER programme was created to answer this situation. Only a few cases remain. Co-operatives are now helping municipalities through co-operation programmes to eliminate the remainder.

Description

Key characteristics of the Portuguese housing co-operatives are:

- The Portuguese housing co-ops can build dwellings both for selling and for renting. In the past, the lack of state support to rental house building coupled with extremely attractive interest rates offered by the commercial banks pushed housing co-operatives to develop owner occupied dwellings. Things are changing with the global credit crunch and the difficulties for

families in buying a house or paying for the one they already bought. Housing co-operatives are redefining their main goal which is to build social housing and have now started to build housing for rent. Housing co-operatives can now count on some financial assistance from the state.

- The average number of units per co-operative is around 100.
- The selling price should not exceed an additional 30% of the construction costs to cover for the development costs (administration, taxes, licenses, etc.) incurred by the housing co-operative.
- At the time of leaving, the member's savings are reimbursed at nominal value.
- When the property is acquired by the co-op members, they have two choices: either they decide (in an assembly of dwellers) that the co-op goes on administering the condominium – and they pay for the service – or they, themselves, do it. If they do so, they elect one of the members for a certain period of time and decide the amount of the fee to pay monthly.
- 10% of the monthly fee paid by the members goes to a reserve fund used for repairs and renovation.
- The way co-ops are set up does not facilitate participation from members apart from fulfilling its financial obligations. Involvement from members is higher when supplementary services are set up by the co-operative such as cultural activities, legal and administrative assistance, kindergartens or homes for the elderly.
- Co-operatives offer many services in addition to housing such as kindergarten, seniors, recreational activities such as theatre, etc.

Financing

The co-operative housing sector can take advantage of the following financial measures:

- Reduced VAT (from 20% to 5%) for social housing construction
- Tax exemption on land acquisition
- Subsidized interest rates on loans to build or buy social housing (that includes social housing built for sale). The financial benefits are higher if the target group has lower income (% of help is higher depending if you buy or rent and if you need to be relocated because you live in poor conditions)
- Access to PER – a special re-housing programme administered through agreements between Central Government and the municipalities which provide financial support for infrastructure and house building to re-house families living in bad conditions.

Housing allowances are also available to individual members according to income, age, mode of tenure, professional activity.

A building reserve – *Fundo de reserva* – consisting of 10% of the construction costs can be added to the final selling costs to be used to build other equipments such as social, sport, and kindergarten or to support the development of new co-op housing projects.

Housing co-operatives have also set up saving systems. These systems are essential as bank loans only cover 80% of the total costs and the savings cover the rest of the unit costs.

Legal Framework

Today, the legal instruments for the co-op housing sector are the:

- Article 65 of the Portugal Constitution explicitly promotes housing co-operatives: *"Encourage and support the initiatives of local communities for the resolution of their housing problems and for promoting the establishment of housing co-operatives and their own building projects"*.
- Civil Code – general rules regarding legal personality, capacity and representation, governance and liability
- Co-operative Code 51/96 – confirm the international co-op principles
- Specific regulations - legal documents published by the government - preventing housing co-operatives from distributing surpluses even though it is permitted in the Co-operative Code

The Co-operative Housing Movement

Founded in 1980, FENACHE - *Federation Nacional de Co-operativas de Habitação Económica* – is the national federation of the economical housing co-operatives (CHE) in Portugal. FENACHE is the only national organisation representing housing co-operatives. FENACHE's mandate is to represent and defend the interests of its affiliated co-operatives, and to foster, organise and disseminate housing co-operatives and co-operation among co-operatives. FENACHE works closely with local authorities by establishing protocol to ensure the development of housing co-operatives, and represents the Portugal co-op housing movement internationally.

In the 1990s, co-operative unions were established with the mandate to ensure the ongoing construction of housing co-operatives (larger projects including other facilities, such as stores). These unions develop large projects and each co-op has a guaranteed number of units for its needs. The membership of these unions is housing co-operatives. They are:

- *UCHA – União de Co-operativas de Habitação* - situated in the city of Matosinhos, responsible for the coordination of all the co-operative projects in the metropolitan area of PORTO;
- *METRÓPOLIS – União de Co-operativas de Habitação* - situated in Lisbon, responsible for the coordination of all the co-operative projects in the metropolitan area of Lisbon, and
- *MCH – Algarve – União de Co-operativas de Habitação* - situated in the city of Faro, responsible for the coordination of all the co-operative projects in the Algarve.

Both housing co-operatives and the unions are members of FENACHE.

In 1989, FENACHE created a housing co-op study centre called *Centro de Estudos do Co-operativismo Habitacional*. Other support organisations provide supplementary services to housing co-ops, such as insurance.



NORBICETA - União das cooperativas de Habitação, U.C.R.L. Project Ponte da Pedra in Matosinhos, Porto

In addition to the Charter for the Quality in Co-operative Housing adopted in the 1990s, FENACHE has set up a "Quality Management System" to promote good management. FENACHE administers the certification process and in 2008, three housing co-operatives received their certification.

FENACHE is concerned with the aging membership of the co-op housing movement. To address this situation, a Youth Committee was set up after the 2006 National Congress *The Sustainability of the Co-operative Housing Movement* to promote the continuity of the co-op housing movement and involve the youth in this process.

For more information, visit: www.fenache.com (In Portuguese)



HOUSING CO-OPERATIVES IN SPAIN

MARCH 2012

STATISTICS

Population: 47,190,493 (January 2011)

Total housing stock: 25,129,000 dwellings
(CECODHAS 2012 Housing Europe Review)

Total social (rental) housing stock: 2% of total stock
(Idem)

Total co-op housing stock: 14,073 housing co-operatives had built 1,439,104 housing co-op homes by 2011, representing around 6% of total housing stock. Among these, 4,319 remain active developers, 8,360 remain registered but inactive and the rest have been dissolved and transformed into 'comunidades de propietarios' (communities of homeowners).

People: 1,512,524 families are members of housing co-operatives



Housing co-operative IVM, Rivas Vaciamadrid, Madrid

History

In 1864 revolutionary writer Fernando Garrido Tortosa was the first to write about co-operation and co-operatives in Spain. One year later, consumer co-operatives were first established in Catalonia, the most industrialised region in Spain. They were followed by Agriculture Credit Co-operatives in Marcia in 1891 after the *Ley de Asociaciones* (Associations' Law) – the first legal text mentioning co-operatives – had been adopted four years earlier. Housing co-operatives didn't appear until 1911 and were regulated by the *Ley de Asociaciones* and – from 1920 – by the *Ley de Casas Baratas y Economicas* (law on low-cost and affordable housing). After this, several neighbourhoods of single-family homes were built in urban areas and particularly around the capital and large cities.

The Spanish Civil War (1936–1939) meant a reduction by more than half of all co-operatives compared with 1924. Co-operatives then spent the next 36 years of dictatorial rule (1939–1975) under political control, dominated by state institutions with minimal participation from members. They were seen as a corporation model within the state-controlled economy. The first specific co-operative law in Spain – the *Ley de Co-operativas* (Co-operatives' Law) – was adopted in 1942. It paved the way for the expansion of the sector in 1954 and led to the creation of the National Union of Housing Co-operatives in 1957.

The growth of housing co-operatives was supported by the *Plan de Estabilización Económica* (Economic Stabilisation Plan) in 1959 – a time of important development that impacted on all economic sectors. Subsidised housing was supported by the state to stimulate the construction sector by providing assistance to private developers and home buyers.

Owner-occupancy was – and still is – the preferred tenure in Spain and promoted by the direct and fiscal financial measures set up by the state. Furthermore, disincentives such as privatisation of public rental housing and strict rental regulation were put in place to discourage the development of other forms of tenure. For example, after a brief period of public rental housing following the Civil War the portfolio was sold. Indeed, rental housing had been reduced from a half share of the market in 1950 to ten per cent by 2001.

Rapid population growth during the 1970s and 1980s resulted in the industrialisation of major cities and led to a serious shortfall in housing infrastructure. Housing co-operatives grew again. By 1976, the housing co-operative sector was second only to agriculture in terms of co-op numbers (with 4,371 co-ops representing almost 27%) and had the largest amount of members (596,470, representing 37%). These co-operatives concentrated mainly on the production of subsidised housing, with an extra 300,000 units sold at cost price. In 1993, all subsidised owner-occupancy dwellings built before 1978 were deregulated and released from protection agreements, lasting 20 to 50 years.

Sharp increases in land and construction costs – a consequence of the housing boom caused by commercial real estate speculation – have led to difficulties for the housing co-operative sector since the 1990s. But the approval of the Co-operatives Law 27/1999 brought major legal innovations, enabling co-operatives to act as efficient and profitable entrepreneurs in the market.

Context

The emergence of democracy in Spain and the approval of the new constitution in 1978 changed the political context from a centralised state to decentralised administration. Consequently,

the housing responsibilities are now shared among three levels of government. The central level is in charge of general planning and co-ordination of housing as an economic activity (design, housing financing plans and land policies). The 17 autonomous communities can modify and complement the central state's housing policy according to their relative powers. These communities are responsible for regional housing and land-use regulations, developing and managing subsidised owner-occupied and rental housing stock, and for providing development subsidies, while municipalities are responsible for urban planning and land management.

Currently, housing production is mainly focused on owner-occupancy for medium- and low-income households with strong involvement from private developers. Housing development is conducted through a complex system of subsidised loans and a variety of subsidies and grants to developers and buyers.

Importantly, article 47 of the Spanish Constitution guarantees the right of decent housing: *"All Spaniards have the right to enjoy decent and adequate housing. The public authorities shall promote the necessary conditions and establish appropriate rules to uphold this right, regulating the use of land in accordance with the general interest to prevent speculation."*

The preferred housing tenure is home ownership – 82% of the Spanish population own their home. While Spain does not have a housing deficit – enough houses are built to respond to the needs of the population – Spanish citizens have identified housing as their biggest problem, with affordability and accessibility two major challenges. The construction boom of recent years expanded the housing market but also contributed to a sharp price increase. For example, until recently in the private market a household typically had to pay between 46% and 53% of its income to buy a dwelling compared to 19% and 35% in subsidised housing (VPO).

At the beginning of 2009 the property market crashed and prices dropped. The crash impacted negatively on subsidised housing, significantly reducing the price difference compared with the private market. This has made the option of buying a subsidised home less attractive to potential buyers. High-level regulation and restrictions on the sale of homes are also translating into lower demand for protected homes.

The Land Law, adopted in 2007, supports the development of subsidised housing by imposing that:

- 30% of new residential developments be allocated to subsidised housing.
- 5% to 15% of council-developed urban land be reserved for subsidised housing.
- Land price for subsidised housing be fixed and land value based on real value instead of projected value once developed.

The Housing Plan 2009–2012, known locally as the *Plan Estatal de Vivienda y Rehabilitación*, emphasised the restoration and revitalisation of present urban stock, but unfortunately was not fully implemented.

New needs are emerging. Rental homes are more in demand for lower-income families, while housing strategies must be developed to meet special needs associated with an aging population and young people entering the workforce. The issue of second homes,

often vacant and mainly connected to tourism, must also be analysed to help solve the accessibility problem. Finally, the temporary restriction on the sale of subsidised owner-occupied homes, which prevent the owner from selling up at the end of the qualification period and possibly making a profit, is also in question given the current housing and economical environment.

There are currently 37,420 homes under construction by co-operatives with a further 36,000 planned. Housing built by co-operatives includes 'protected' or subsidised homes built with public financial support and sold at a price below a fixed ceiling as well as 'free' or unrestricted homes built without public money and sold at cost price. The recent shortage of available land and strict credit restrictions for investment in housing has forced co-operatives to reduce their activities in the subsidised housing sector.

Description

The housing co-operatives portfolio is made up of two forms of subsidised housing called *Viviendas de Protección Oficial* (VPO) and *Vivienda a Precio Tasado* (VPT), as well as 'free' housing for sale at cost price and rental housing.

General characteristics applicable to all four categories are:

- Homes are occupied by co-operative members who become owners, except in rented homes, where the member is simultaneously a tenant and co-owner of the whole building.
- Co-operatives are regulated by a board structure but decisions are always taken by the members' general assembly. Individual or collective management carry out technical and administrative duties.

Specific characteristics of VPO housing co-operatives are:

- They are subject to strict controls and price limitations.
- A temporary arrangement, known as the qualification period, is in place for 50 years.
- The qualification period's objectives are to maintain the 'social' status of the home and to prevent speculation.
- During the qualification period, homes can only be sold at prices determined by the Government. After the qualification period, homes can be sold at market prices and profits remain in the owner's hands.
- If homes are sold within the qualification period, all subsidies received must be paid back to the Government.
- The Autonomous Regions can implement their own qualification period, and some are almost permanent. This changes frequently and housing co-operatives are calling for state regulation in this field.

Specific characteristics of VPT housing co-operatives are:

- Identified as an intermediary option, they are defined as medium-cost housing, lower than market but higher than VPO.
- There is no qualification period but some restrictions are imposed on the owner for a sale within the first five years of purchase, in which case the owner is required to pay back any subsidies received.



Housing co-operative HABITATGE ENTORN, Barcelona

The specific characteristic of 'free' co-operative housing for sale is that homes are sold to the members rigorously at cost price.

Financing

The VPO and VPT housing co-operatives portfolio is financed by a credit of 80% of a home's value.

Rental housing co-operatives have access to special subsidies, fiscal incentives and loans at reduced interest rates. VAT is also implemented at a reduced 4% rate.

Legal Framework

Today, the legal instruments for the co-op housing sector are:

- Article 129.2 of the Spanish Constitution, which "proclaims specifically that the public powers would promote the diverse forms of participation in the enterprises and the access of the workers to the means of production, encouraging co-operative societies".
- The General Co-operative Law of 1999 (*Ley General de Co-operativas*, 1999)
- The Royal Decree 136/2002, establishing the Register of Co-operative Societies
- The Warrant ECO/3614/2003, approving the Norms on Accounting of Co-operative Societies

- Furthermore, each one of the 17 regional governments (*Comunidades Autónomas*) has its own laws regulating co-operatives.
- Rental co-operatives are subject to the Urban Rental Law (*Ley de Arrendamientos Urbanos*).

The Co-operative Housing Movement

Founded in 1988, the *Confederación de Co-operativas de Viviendas de España* (CONCOVI) is the national umbrella organisation for housing co-operatives in Spain, having succeeded the National Union of Co-operatives created in 1957. CONCOVI brings together federations of housing co-operatives, individual or territorial representations and housing co-operatives from non-federated areas. CONCOVI's mission is to defend the interests of its members in relation to the national government and to promote social housing in collaboration with other social organisations. CONCOVI is a member of CEPES, the Spanish confederation of organisations in the social economy.

CONCOVI's work programme includes:

- Representing its members and defending their interests with public bodies, institutions and authorities of the central state administration.
- Maintaining and safeguarding the spirit of co-operation between its members through conciliation settlements (between co-operatives, co-operatives and their members or third parties).

- Informing and advising members and affiliated bodies on relevant themes and collecting information from them to enhance co-operatives' achievements.
- Carrying out studies, reports and missions demanded by the central government or other consultative bodies.
- Co-ordinating co-operative education and training developed by the affiliated co-operative bodies.
- Establishing partnerships and conventions with registered co-operative education and training bodies or with institutions directly linked with the central and regional administration.

CONCOVI's membership includes the following eight federations:

- Federación de Co-operativas de Viviendas de Madrid
- Federación de Co-operativas d'Habitatges de Catalunya
- Federación de Co-operativas de Viviendas de la Comunidad Valenciana
- Federación Aragonesa de Co-operativas de Viviendas
- Unión de Co-operativas de Viviendas de Galicia
- Unión de Co-operativas de Viviendas de Alicante
- Federación de Co-operativa de Viviendas de Castilla y León
- Federación Andaluza de Co-operativas de Viviendas (currently being established).

CONCOVI is directed by a management board comprising representatives from the territorial federations. CONCOVI relies on legal, fiscal, technical and other advisory services and its published magazines include the bi-monthly magazine 'Viviendas Co-operativas'.

For more information, visit: www.concovi.es (Spanish only)



HOUSING CO-OPERATIVES IN SWEDEN

MARCH 2012

STATISTICS

Population: 9,482,855 (SCB, Statistics Sweden, 2011)

Total housing stock: 4,508,000 dwellings (CECODHAS 2012 Housing Europe Review)

Total rental stock: 1,667,960, representing 37% of the housing stock in Sweden (SCB, Statistics Sweden 2011).

Total social (rental) housing stock: 766,360, representing 17% of total housing stock (SCB, Statistics Sweden 2011).

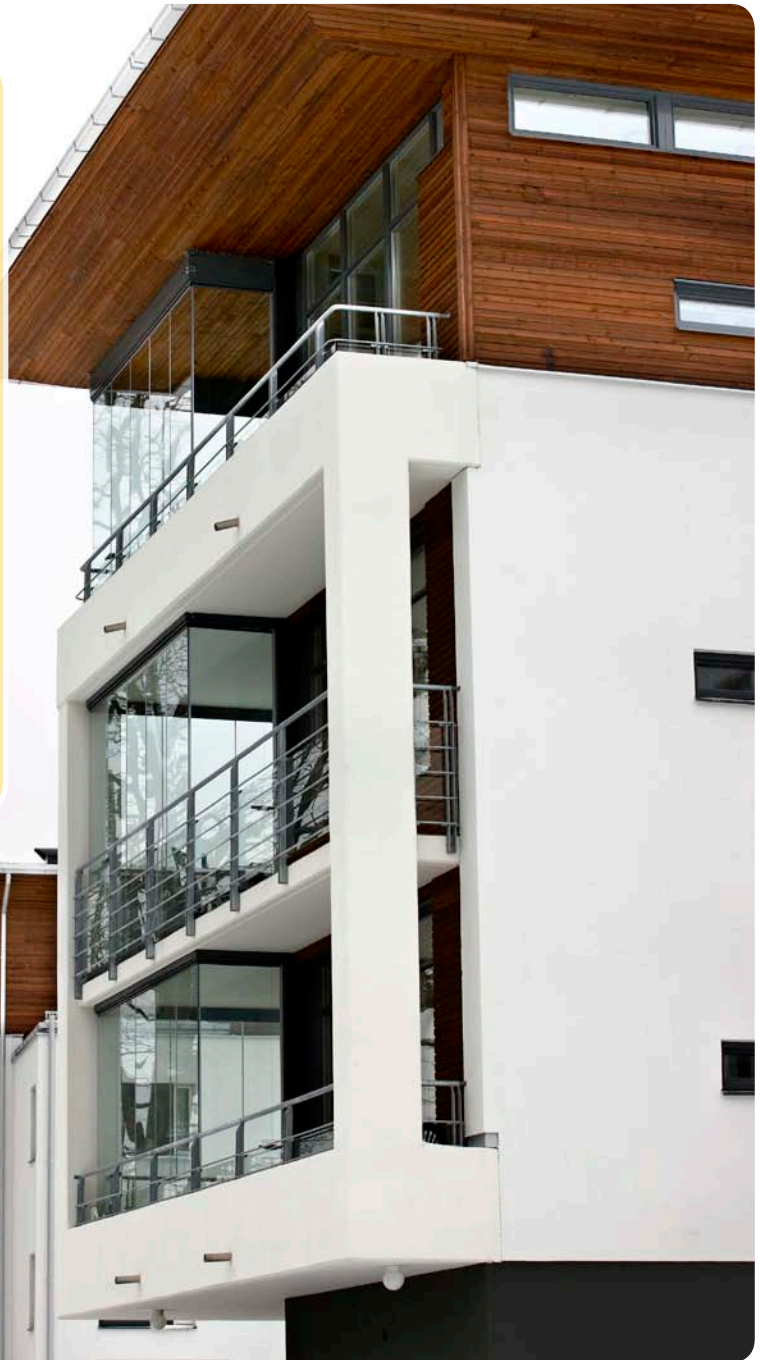
Total co-op housing stock: 997,969 representing 22% of the total housing stock (SCB, statistics Sweden)

The two co-operative organisations HSB and Riksbyggen with their 6,500 housing co-operatives represent about 50% of the co-operative housing portfolio in Sweden.

People: 1,599,000 people live in housing co-operatives (SCB, Statistics Sweden 2011)

History

Co-operative housing, also known as a tenant ownership co-operative, was a response to extreme housing shortages and severe housing speculation. In 1923, tenant organisations founded HSB Riksförbund to promote and make the necessary representations to political bodies in support of co-op housing development. The original goals of the tenant organisation activists were to give everyone a way to control their housing situation as well as to provide good housing to large groups in society. The tenant ownership system, using the mother-daughter development model, was successfully developed. Under this model, large co-operative associations (mother or secondary co-operatives) build and sell the units to the co-operatives (daughter or primary co-operatives). Even though housing co-operatives have the freedom to choose their management service, most of them buy their administrative and maintenance service from their HSB regional organisation (or Riksbyggen respectively) which also contributes to keeping close links between the housing co-operatives and their umbrella organisations.



Housing Co-operative Strandparken, Kalmar (photograf Mats Samuelsson)

After the Second World War, the tenant ownership organisations became an essential key player in housing development. Riksbyggen was founded by construction workers during that time. Simultaneously, in 1945, the first governmental housing committee made an historic decision: Sweden was to provide the same kind of subsidies, regardless of the housing tenure whether it was rental housing, co-operative housing or private ownership. This neutrality between tenures would give people the capacity to choose the best suited housing for their family. Several mechanisms were then put in place to prevent speculation and housing co-operatives got access to direct subsidies maintaining affordability to any citizen independent of their economic situation. The direct housing subsidies were abolished in the 1990s and the financing system was reorganized.

Context

The trend towards providing less social housing and a more market driven housing national policy has continued. The housing policy's aim in Sweden is no longer to "provide good housing to all households at an affordable price" but instead "well functioning housing markets in a long term" where consumer's needs are met with an adequate supply of housing. The co-op shares, have been sold on the open market since the 1970's, without any internal stabilisation mechanisms. For example, in a new development today, the members-homeowners must finance around 75–80% of the development cost, the remaining being financed through a loan taken by the co-operative.

However, it should be noted that even under the new market rules and more expensive co-op shares, housing co-operatives remain the most long-term price worthy tenure. Housing co-operatives are known for good quality housing and good maintenance which makes them cheaper in the long run.

Being aware that new housing development is much more geared towards middle-class households, the co-operative housing organisations are making representations to the government to introduce home savings schemes.

Recent surveys states that 80% of municipalities in Sweden report a lack of rented housing/social housing. A third of the municipalities report a lack of co-ops as a housing alternative. Close to half of the municipalities report a general lack of housing and over half the population lives in municipalities which are reporting a general lack of housing. Vulnerable groups who have special problems finding housing include young people, elderly and families with many children.

The political majority in the capital of Stockholm has continued to sell social housing, mostly turning the stock of social housing into co-ops. In the rest of Sweden, this is a more unusual approach. Despite this, the total stock of social housing continues to decrease in Sweden.

Swedish municipalities state that their main problem when handling lack of housing is to obtain attractive land for building projects. Problems to finance building projects remain another major concern for many municipalities.

Description

Housing co-operatives (HSB and Riksbbyggen' portfolio) key characteristics are:

- Mostly located in urban areas, the co-operatives have between 20 to 100 apartments, with an average size of 80 units. The largest co-operative in HSB portfolio has 1,033 units.
- Most of the housing co-operatives are located in urban areas.
- The properties (building and land) are owned by the housing co-operatives.
- Tenants must be members of the co-operative. The Board is responsible for approval of membership. An individual who is not accepted as a member can lodge a complaint with the local rent tribunal.
- Members buy shares giving them unlimited occupancy rights as long as they fulfill their obligations. Shares are sold at

market value. HSB and Riksbbyggen own the right to sublet or sell the apartments in the rare cases of new co-op development where units are not completely sold.

- Members pay a monthly fee that covers interest and amortisation expenses of the co-operative's loans as well as the operating expenses and scheduled future maintenance. The monthly fee is related to the size of the units the member occupies.
- In some housing co-operatives, part of the monthly fee is set aside in a separate fund to be used for the interior maintenance of each unit. The assigned unit fund is transferred with the apartment when sold.
- Members are responsible for the repairs and maintenance of own units and the co-operative is responsible for the maintenance of common areas and facilities.
- Housing co-operatives hire staff directly or through HSB and Riksbbyggen.
- Members can sublet their apartment with Board's approval. Members can lodge a complaint with the rent tribunal if subletting is refused by the Board.

Financing

There is no governmental financial assistance. Depending on the project, members/tenant-owners finance between 75 – 80% of the development cost and the rest of the financing is raised by the co-op organisations through loans from the banks and other private financial institutions. Tenant-owners can normally get a loan from the banks equivalent to 85% of the down payment required.

HSB and Riksbbyggen have both set up saving mechanisms whereby individuals can save to buy their future co-operative housing shares. Individuals who use this mechanism receive priority on new developments. It is also possible for members, upon positive credit assessment, to get a loan from a financial institution to pay for his/her shares using the value of the shares as collateral.

HSB Security Guarantee protects the financial security of the housing co-operatives for the first 7 years by purchasing any unsold apartments and taking financial responsibility for them. Riksbbyggen have a similar mechanism, immediately buying unsold apartments, although this rarely occurs.

Housing co-operators - homeowners –benefit from a 30% tax reduction of interest expenditures for loans either for co-op shares in the open market or for new flats.

Legal Framework

The legal instruments for the housing co-operative sector are:

- The Co-operative Housing Act which determines the co-operative's organisational rules, including their business conduct
- The Co-operative Societies' Act which determines the association's organisational rules, including their business conduct.

The Co-operative Housing Movement

Unlike many countries, housing co-operatives in Sweden are not represented by a single one organisation at the national level. A majority of the co-operative housing portfolio is linked to two



Housing Co-operative Finnboda Park, Stockholm (photograf HSB)

organisations: HSB Riksförbund and Riksbyggen, HSB being the largest with around 330,000 co-operative apartments. HSB and Riksbyggen develop, manage, offer services and represent housing co-operatives in the country.

HSB Riksförbund, the Tenants' Savings and Buildings Society, has a three level structure. The National Federation, custodian of co-operative values, is mainly responsible for lobbying and providing services to the regions, the Regional Societies are responsible for developing and servicing housing co-operatives and the tenant owner housing co-operatives. In this structure, individuals interested in becoming members of a HSB housing co-operative join a HSB association. Once the individual buys his shares and moves into a housing co-operative, he becomes a member of a housing co-operative and keeps his membership in the HSB association.

HSB Riksförbund membership consists of:

- 550,000 members (and around 100,000 home-savers*)
- 3,882 housing co-operatives that are members of the HSB Regional Associations
- 31 HSB Regional Associations

* The home savers, most of them are children or young people, are saving money on a monthly basis to eventually become co-op tenant owner benefiting from favourable conditions. While saving and waiting for the proper unit or the appropriate time to buy, they have, in many regional societies, the opportunity to rent a flat.

For more information, visit: www.hsb.se

Riksbyggen, the Co-operative Building Organisation of the Swedish Trade Unions, is owned by the trade unions of the building sector, tenant ownership housing co-operatives and other national co-operative organisations. It has a two level structure: the National level and the Local tenant owner co-operatives. The local tenant owner co-operatives are organised in regional associations who act as delegate bodies and monitor questions regarding ownership rights, lobbying and other interests of the individual co-op. The regional association also provides education and information to the co-ops.

Riksbyggen membership consists of:

- 1,700 housing co-operatives, which are developed by Riksbyggen
- 33 delegate bodies
- 24 local associations, which are voluntary organisations consisting of local union and popular organisations.

For more information, visit: www.riksbyggen.se



HOUSING CO-OPERATIVES IN SWITZERLAND MARCH 2012



FGZ_Grünmatt: New dwellings „Grünmatt“ by Familienheim-Genossenschaft Zurich

STATISTICS

Population: 7,639,961 (2011)

Total housing stock: 4,000,000 dwellings (2011 – Federal Statistical Office)

40% of the housing stock in Switzerland is owner-occupied while 52% is private rental and 8% is non-profit rental.

Total social (rental) housing stock: about 300,000 dwellings

Total co-op housing stock: 172,000 dwellings (End of 2010)

Housing co-ops represent 57% of the non-profit rental stock and 4,3% of the total housing stock in Switzerland. 63% of Switzerland's housing co-operatives are located in large cities. For example, housing co-operatives count for 20% of the housing stock in Zurich.

History

Housing co-operatives date back to the last part of 19th century. The success of housing co-operatives in Switzerland leans on a strong tradition of local community self-help and volunteer work, 100 years of housing policy, and strong and collaborative housing organisations. The Confederation as well as several Cantons and cities have supported the development of housing co-operatives through financial assistance and land availability. As an example, one of the oldest housing co-operatives founded in 1919, *Freidorf* in Basle, received a low-interest loan of 7,5 million Swiss francs coming from a fund made up of a tax placed on companies earning excess profits from activities with the war, a tax to be spent on projects for public good.

Construction of housing co-operatives exploded after each war as in other European countries. There has been a general decreasing trend in new housing co-operative development since 1970 but a positive change has occurred, especially in the larger cities. For example, in Zurich between 2001 and 2003, 23% of newly built housing units were housing co-operatives. In 2008, housing co-operatives built 1,000 new units in Zurich. Housing co-operatives normally work with leading architects when designing new construction. Therefore, most of the housing co-operatives are examples of outstanding architectural and ecological quality.

In 1991, at a time of high interest rates and overly prudent banks, the three umbrella non-profit/co-operative housing associations founded the Bond Issuing Co-operative (BIC), in collaboration with the Federation Housing Office. In 2011, 375 housing co-operatives were members of BIC, 263 of them participated in bond issues in 2011. Actually 23,604 dwellings are financed with about 2 Billions.

The three umbrella organisations adopted a Charter called the “Charter of the non-profit housing organisations of Switzerland”. This Charter lays down the principles guiding the actions of non-profit and co-operative housing organisations in Switzerland. For example, no speculative profits, good-quality affordable and sustainable housing, integration of disadvantaged households and tenant participation and self-determination.

Context

In Switzerland, the right to housing is guaranteed in the Constitution under Articles 108 and 41 (Paragraph 1). This guarantee is confirmed anew by the Federal Housing Act adopted in 2003 and by other cantonal legislations. These different legislations support the development of housing co-operatives and social housing. Even though not all cantons have adopted a housing policy, some of them have stronger legislation than the Federal State.

Switzerland housing co-operatives have been successful in being more beneficial to their occupants and progressive. They are well maintained and affordable with average rents 20% lower than private rental units. They are built and renovated according to the principles of sustainable development. Though most co-operatives in Switzerland are rather small, with less than 100 units, some represent large housing complexes, sometimes even neighbourhoods, and contribute to establishing socially inclusive communities. They are recognised as important players in urban renewal and planning. The co-operative housing sector works in close partnership with the Federal Housing Office (FHO) and the local public authorities. One example of this close collaboration is the Public-Co-operative Partnership whereby the Communes provide land to the housing co-operatives in the form of a “right of use”.

However, the co-operative housing sector faces some challenges. Since 2002, building costs have risen constantly and building land

is increasingly scarce. The makeup of Swiss households is also changing with more single and senior family households and a significant increase, fourfold in 30 years, of immigrant households. Housing co-operatives want to continue to answer the needs of their members and have tried to find ways to adapt to this new reality. Many housing co-operatives built after the war, or in the 1970s, are in need of renovation or replacements.

Even though housing co-operatives have proved their effectiveness both financially and socially, the assistance provided by the Confederation remains a matter of contention. There exists a degree of competition between the two different types of financial assistance regimes, one directed at individuals and the other at co-operative organisations. The three umbrella housing organisations associated under the Federhabitation lobby the federal state to ensure housing co-operatives continue to prosper and that their successes are recognised to their fullest value.

Founded in 2003 by the three national housing associations, Federhabitation's mandate is to make all necessary political representations on behalf of its members to ensure the development of housing co-operatives at the Confederation, canton and commune levels in the context of the Federal Housing Act. Federhabitation represents 170,000 housing units. More information, visit: www.federhabitation.ch, (in German and French).

The housing organisations are specifically requesting that the direct financing mechanism introduced by the Federal Housing Act and suspended until the end of 2008 be reactivated. They are also lobbying for an extension of the housing policy to all cantons for better housing and better use of the available land; as well as an energy conservation and housing rehabilitation program. Their work seems to have been successful. In 2009, the Confederation launched a special program offering 50 Million Swiss Francs to the co-operatives for energy-saving renovations funded through the state.

Description

Key characteristics of the Swiss housing co-operatives are:

- Their size varies between 1 and about 5,000 housing units. The largest is located in Zurich with 5,000 units. 70 percent of Swiss housing co-operatives are very small, with less than 100 housing units. The average size is 138 housing units. Only 25 co-operatives have more than 1,000 units.
- There are two types of housing co-operatives. In 'membership' housing co-operatives, all tenants are members of the co-operative which grants them a preferred position compared to rental from an ordinary landlord. In 'entrepreneurial' co-operatives tenants are not members of the co-operative. The following characteristics refer to the first type.
- Housing co-operatives provide security of tenure, affordable rents and involvement opportunity.
- The housing co-operatives own the properties and members own a share but have no equity in their units.
- The shares are reimbursed to the members upon leaving at the original amount.
- They are non-profit: rents are based on operating costs, no dividend or interest is paid and proceeds from liquidation go

to similar organisation.

- Rents in housing co-operatives are considerably lower than in private rental; an average of 20% lower up to 50% in larger towns.
- In the general assembly, all members have one vote irrespective of the number of shares.
- The board of directors holds the administrative and executive power in the co-operative. It usually consists of 5 to 7 members, 3 is the legal minimum. The members are elected through the general assembly, normally for a term of 4 years.
- The board members are mostly volunteers, having another full-time job. Only the large housing co-operatives have a professional administration run by employees.
- They often have occupational restrictions – smaller apartments are offered to 'over-housed' (housing is larger than their needs) members.
- Most co-operatives offer complementary services – childcare, health services, social services, common activities, etc.

Financing

Commercial banks provide mortgage loans up to 80% of the total investment or property value.

The Confederation supports financially the development of housing co-operatives by providing:

- Financing to the revolving funds administered by the umbrella organisations that provide low-interest loans to housing co-operatives.
- Guarantees to the bonds issued by BIC.
- Counter-security to specialised mortgage co-operatives which in turn guarantee up to 90% of total investment.

The Bond Issuing Co-operative (BIC) secures capital from the market by issuing bonds of 7 to 10 years term. Bonds are guaranteed by the Confederation. These funds are available to housing co-operatives member of BIC. The interest rate is lower and remains the same throughout the term of the bond. It benefits tenants by keeping lower rents.

For more information, visit: www.egw-ccl.ch

Some cantons provide financial support by providing:

- Subsidy to reduce the rents. The amount of subsidy provided takes into account the financial situation (annual income and wealth) of the member and occupation norms;
- Land to build housing co-operatives in the form of a "right of use".

The umbrella organisations administer two Funds: a revolving fund and a solidarity fund. Both funds provide loans with advantageous interest rate to complete financing of the project and to reduce the costs. Loans are available to new construction, renovation, acquisition and/or take back of existing buildings according to applicable rules and ratios.



'In buona compagnia': housing community of elderly people in the canton of Graubunden

For example:

SVW – ASH / Revolving Fund

- Financed by contributions made by the Confederation.
- Maximum term of the loan is 20 years. Reimbursement begins in the fourth year.
- Maximum contribution: 30,000 Francs per unit.
- In 2011, about 800 units financed and 240 million Francs invested. Thanks to the contribution of the Revolving Fund.

SVW – ASH / Solidarity Fund

- Funds come from the contribution of housing co-operatives members (average of 1 million Francs per year).
- Asset is more than 35 million.
- Provide loans in addition, or instead of, the Revolving Fund.

SVW – ASH / Solinvest

- Created in 2009 by SVW - ASH, Solinvest is a new foundation whose purpose is to help especially new co-operatives to increase their own capital funds.
- Funds come from contribution of the association and of the members.

There is no tradition of saving for building purposes through savings and loan associations like in other European countries.

Legal Framework

The legal instruments for the co-op housing sector are the:

- Swiss Constitution.

- Swiss Code of Obligations.
- Federal Housing Act of March 2003 – deals with the financial development means available to the non-profit sector.

The Co-operative Housing Movement

Founded in 1919, *Schweizerischer Verband für Wohnungswesen / Association Suisse pour l'Habitat* (SVW/ASH) is the national co-operative housing federation whose membership includes housing co-operatives, non-profit building contractors and foundations. In March 2012, the membership included 1,041 members representing 140,000 housing units. SVW/ASH is divided into 9 regions. Services to members are offered through its head office that employs 15 employees as well as through the regional offices.

The board of directors holds the administrative and executive power in the SVW association and consists of 8 members. The administration is run by the head office, managed by a managing board with 3 members. With the introduction of new statutes in 2005, the association does not regularly organise a general assembly where all members are represented. Democracy is exercised through a delegates' assembly, in which each region can send delegates, according to their number of members and dwellings. The delegates' assembly meets twice a year.

SVW/ASH administers a solidarity fund made up of members' contributions and a revolving fund financed by the State. The federation acts as an advisory body on different (i.e. legal or financial) issues for its members and the authorities. They publish a monthly magazine in German, and the French section of the federation produce a quarterly French magazine. They also hold training events and established, in co-operation with the other umbrella organisations, Wohnen Schweiz, a special certification program for housing co-operatives as well as a regular annual meeting ("Forum").

For more information, visit: www.svw.ch (in German) and www.ash-romande.ch (in French)

HOUSING CO-OPERATIVES IN TURKEY

STATISTICS

Population: 74,724,269 (2011)

Total housing stock: 19,638,168 dwellings (2011)

Total social (rental) housing stock: Not available

Total co-op housing stock: 1,601,289 dwellings (according to building permits 1979–2011 – TÜRK KENT)

People: 1,985,076 members of housing co-operatives (54,996 housing coops) in 2011.

History

The emergence of housing co-operatives in Turkey dates back to the mid 1930s. Bahçelievler Housing Co-operative was the first housing co-operative founded in 1935 by senior bureaucrats in Ankara. The 169 dwellings co-op was financed by the state owned 'Real Estate and Credit Bank' that had been established in 1926.

Like other countries, the first wave of housing co-operatives in Turkey were building co-ops; they were established to build the co-operative's dwellings and were dissolved upon completion of the construction.

After World War II, Turkey experienced a severe housing shortage due to the rapid urbanisation. Financial resources were limited and the land was very expensive. In fact, until 1950 only high ranked state employees established housing co-operatives and few housing co-operatives were developed. The number of housing co-operatives in 1939 was only 4, increasing to 26 in 1942, and 50 in 1946.

In 1952, in what was considered a turning point in co-op housing development, the Social Security Organisation began to finance projects directed at low- and middle-income people. Between 1950 and 1965, a total of 374 co-operatives produced 32,862 dwellings with more than 25,000 financed by this organisation.

Two major events brought about the expansion of housing co-operative development in Turkey: the adoption of the Co-operative Law in 1969 and the encouragement of mass housing projects under the Five Year Development Plan (1967–1972). At that time, housing co-operatives were the only producers of large-scale housing projects in Turkey. These projects were implemented in collaboration with municipalities. The first, and still the largest, project is the Batikent project, undertaken by Kent-Koop Union. Around 70,000 dwellings were built on 1,035 hectares of land, organized under 275 housing co-operatives for 250,000 individual members. Such



Yesilkent Koop, Istanbul

large-scale projects were replicated in other parts of the country.

A key element in the development of housing co-operatives in Turkey was the Mass Housing Law (MHL), first adopted in 1981 and renewed in 1984. State owned land was allocated for housing co-operative development. A Housing Development Fund was established and the law required that 5% of the state budget be directed towards housing development. The Housing Development Administration (HDA) used this fund to provide housing loans to approximately 1 million housing units of which housing co-operatives got the biggest share (90%).

The MHL contributed to a significant increase in co-op housing development. For example, while the annual number of housing co-operatives founded in 1980 was 131 and 91 in 1983, it increased to 411 in 1984, 920 in 1985, 1,705 in 1986, and 2,613 in 1987. 1988 was the peak production year with 167,514 co-op units, representing 35% of the total building permits issued that year. From 1935 to 2002, 69,900 housing co-operatives were created.

From 1993 to 2002, however, there has been a constant decrease in housing co-operative development due to major economic challenges in Turkey. The state reduced its financial support, housing co-operatives experienced operational deficits, the price of land rose and individual saving capacity declined. The Housing Development Fund was terminated in 2001.

A new government was elected at the end of 2002 bringing a new housing policy that excludes housing co-operatives from the State financial assistance and allocation of public land for development. In 2003, the government adopted an Emergency Action Plan to solve the housing problems, especially of low- and middle-income groups. HDA is responsible for the implementation of this plan. Only 5 to 10% of the housing needs will be covered through this action.

Context

A major characteristic of the Turkish housing co-operative movement has been the mass production process whereby housing co-operatives by themselves, or through unions and/or Central Unions, develop large urban areas with social facilities and associated infrastructure. The state and the municipalities are partners as they provide the land, whether developed or not, and the financing credits. The unions and/or central unions sign a protocol with the municipalities agreeing to build housing co-operative dwellings and the infrastructure according to set guidelines and timeline. This includes social and community facilities such as schools, kindergartens, health centres, commercial and administrative centres, etc. and the infrastructure including electricity, water, roads, etc.

However, even though mass production is still in force in metropolitan areas (in new development areas around the city or in the city), housing co-operatives have been excluded from this process since 2002. There are several reasons for this situation. Firstly, land of the size required for housing co-operative development is difficult to find in and around cities. Smaller privately owned urban land is available at high cost but is not suitable for mass construction. More importantly, public urban land available and suitable for mass production is used directly by the HDA for housing construction through the private sector or for selling to capital owners in the regular market. HDA, as the sole authorized administrative institution of public land, has not provided any urban land to unions of housing co-operatives since 1998. Note that 50% of the land is public property, which gives the state a powerful lever to intervene in favour of economic and social sustainable housing development. Finally, in the last few years, urban renewal and squatter transformation projects have been undertaken through partnerships between HDA, municipalities and private contractors. These projects involve mass production of housing and other utilities but the legal framework and practices exclude housing co-operatives in these projects.

Housing development in Turkey must take into consideration higher land development cost: 40% to 60% of the total project cost as compared to 20%-30% in developed western countries. For many years, co-op housing representatives have been requesting several financial measures including improvement of the legislation dealing with mortgages, the set up of a housing finance system within the financial market and assistance for low- and middle-income families. The Law on Housing Finance System (a mortgage law) was approved in February 2007. However, the law covers only individual housing mortgages and benefits only high-income groups because the interest rates are still too high for low- and middle-income families. There is no state subsidy for low-income families. Co-operatives who need financial credit during the construction cannot benefit from this system.

Turkey faces today several challenges with regards to its housing situation. First and foremost, the housing demands for low- and middle-income families cannot be fulfilled in the current system.

An average of 500,000 new units per year is required while the production has fallen to 160,000 units. The private sector produces houses mainly directed toward high-income groups and HDA has produced a very limited number of units for low- and middle-income families since 2003. Moreover, the housing co-operative movement has been excluded from the mass production system. At the beginning of 1990s, the share of co-operative construction permits was 20% and this had declined to its lowest level of 6% in 2005. The decrease of housing co-operative construction has impacted the total housing production. The total number of yearly total construction permits was 390,400 in 1990, and this also decreased sharply to 162,000 in 2002. Housing demand, however, has continued to increase due to rapid urbanisation and the big earthquake in 1999. In big metropolitan cities like Istanbul, Ankara and Izmir, more than 50% of existing housing stock is formed by squatters (gecekondu) and other illegal buildings.

The co-operative movement is making appropriate representations to convince the government that housing co-operatives should receive an appropriate share of urban development land and access the mass housing financial credit system with subsidies from the government.

The severe 1999 earthquakes showed the necessity of high standard building work. Safety, quality and sustainability of urban areas remain very urgent problems and important renovation and reconstruction work is needed. It should be noted that several housing co-operatives have made provisions protecting against major earthquakes.

Existing housing co-operatives also suffer from the non-supportive attitude of the government. Since the General Elections in 2002, several existing co-operative legal advantages have been removed (tax benefits, for example). A new constitution is being prepared and the first draft removes the state's responsibilities on co-operative development, the right of housing and other principles important to the co-operative housing movement. The effect of these changes, if implemented, will be that co-operatives will lose all of their constitutional rights. It is difficult for the housing co-operatives to be effective if there is no state support.

Description

Key characteristics of the Turkish housing co-operatives are:

At first, housing co-operatives are construction co-operatives set up to build the properties. Once the construction is completed, the construction co-operative must be liquidated. Property titles (units and land) are transferred to the individual members and the property must be administered in accordance with the Flat Ownership Law which requires the election of a management board, etc.

Housing construction co-operatives can also change their objectives from construction to management within six months of the property registration transfer to members. By changing its objects, the co-operative becomes a management co-operative and can continue to operate.

The development process takes at least 5 years.

Some of the common and social facilities already belong to the public administration, but once construction is complete remaining facilities are sometimes transferred to the appropriate administrative authority (municipality). Sometimes, some private social facilities (kindergartens, for example) can be sold on the market to help



Yesilkent Koop, Istanbul

finance the construction of the project.

Membership rights are confirmed through “a deed of membership” which includes the name of the co-operative, the name and address of the owner (member and, the date of entrance)

At least one membership share is collected from each member. More shares can be collected as determined by the co-operative’s Rules. In 2009, the value of a single membership share was 100.00 YTL.

Members can leave the co-operative and sell on the market or transfer their share. The buyer must be accepted as a member by the Board of Directors, according to the criteria specified in the Co-op Law and their individual co-operative rules adopted by the co-operative before moving in. New members must accept and fulfill its membership obligations and responsibilities.

Reasons for membership eviction are specified in the rules and actual eviction is decided by the General Assembly upon recommendation of the Board of Directors. The evicted member can appeal to the General Assembly and to the Court according to a defined process.

The conditions for reimbursement of the initial member shares are defined in the rules. The amount must take into account the actual balance sheet of the year. Repayments can be withheld to a maximum of 3 years if such repayment would endanger the co-operative’s existence.

Members pay an annual financial contribution according to a yearly budget that should be approved by the General Assembly. The budget should cover all of the expected expenditures for construction, administration, etc.

The General Assembly is the ultimate decision making body and any contractual commitment overruling its power is considered invalid.

Decision-making follows the rule of one member / one vote irrespective of the number and value of the member’s shares.

An auditing committee (one or more auditors) is elected (from among members or someone outside the co-operative) by the Council (General Assembly). The auditing committee is responsible to audit the co-op’s accounts and operations.

Until the development is completed, members can transfer their rights to other people or withdraw from the co-operative.

Financing

The Housing Development Fund (HDF) has provided financing to housing co-operatives for 18 years, from 1984 to 2001, in the form of mortgages with interest rate subsidies. Individual members applied to get financing through their co-operative. After analysis and upon approval, financing credit was provided to the co-operative during the construction phase. Once completed and the property title transfer made, the repayment of the financing started. The repayment

period was determined by the legal regulations. The interest rates were adjusted to inflation every 6 months. The state subsidy corresponded to the difference between the actual bank interest rate and the inflation rate. It allowed the building of 1,115,000 housing dwellings of which 942,501 were housing co-op dwellings. The HDA managed the Fund.

With the change of HDA’s objectives in 2002, housing co-operatives do not have access to any financial assistance from the state. There is a very limited financial aid through a mass housing credit called “Complementary Credit” corresponding to between 5–6% of the total construction costs and is disbursed when 85% of work is completed. However, housing co-operatives do not apply for this credit because of the related bank and other costs associated with it.

Some housing co-operatives have set up a Co-operative Union Pool System. The pool collects all payments from individual members and pays all development costs (dwellings and infrastructure).

At this time, housing co-ops have very limited financial resources. There are only two options: contributions from members and bank financing. The latter is practically impossible for low-and middle-income families due to high interest rates. In both options, the development of housing co-ops depends on the financial capacity of members (which are predominantly urban) as there are no state subsidies any more. Under these conditions, only high-income people can become members of housing co-operatives.

Legal Framework

The legal instruments for the co-op housing sector are:

- The Co-operative Law first adopted in 1969 and amended several times sets the organisational rules, including their business conduct
- Turkish Trade Law (Commercial Code) oversees implementation of the Co-operative Law
- Main rules/contract/mutually promising signed at the beginning/foundation of the co-operative by at least seven members
- Law of Mass Housing

- The Condominium Law / Flat Ownership Law regulates housing estates, including housing co-operatives
- Physical Development Planning Law
- Laws of the Municipality and Laws of the Metropolitan Municipality

The Co-operative Housing Movement

The co-op housing movement in Turkey has a three-tier structure. There are 54,996 housing co-operatives, 1,985,076 individual members; 383 unions and 2 central unions: TÜRKKENT and TÜRKONUT. Even though, housing co-operatives are encouraged to form and join unions, membership is not mandatory. Approximately 20% (11,073 out of 54,996) are affiliated to a union. Only 7% (25 out of 338 unions) of unions are affiliated to the central unions. A disposition in the Co-operative Law gives the authority to the unions to audit their members.

The co-op housing unions provide technical assistance and guidance in the development process (tendering, construction management, etc.) as well technical knowledge and auditing.

TÜRKKENT, the Central Union of Turkish Urban Co-operatives, is the biggest central union of housing construction and production co-operatives in Turkey. Founded in 1988, TÜRKKENT's aims are to:

Protect housing co-operatives;

Assist in the fulfillment of housing co-operatives' goals and increase their productivity

Contribute to sustainable development of urban housing co-operatives and the movement.

Since establishment, TURKKENT produced more than 250,000 dwelling units by its member unions in different regions of the country. The General Assembly of TÜRKKENT is constituted of member union's representatives selected by their respective Assembly in accordance with a pro-rated formula based on the number of housing co-operative members.

TÜRKKENT provides services to unions or their member housing co-operatives in 12 provinces and represents them at the national and international levels.

For more information, visit: www.turkkent.coop (in Turkish and English)



Yesilkent Koop, Istanbul



HOUSING CO-OPERATIVES IN THE UK

MARCH 2012

STATISTICS

Population: 62,698,362 (July 2011)

Total housing stock: 27,108,000 dwellings (CECODHAS 2012 Housing Europe Review)

Total social (rental) housing stock: 18.1% of total housing stock

Total co-op housing (mutual housing) stock: 677 mutual housing organisations across UK with 607 located in England, 41 in Scotland, 26 in Wales and 3 in Northern Ireland for an estimated total number of units of more than 45,000 units of which 35,000 are owned by the co-operatives or mutual



West Whitlawburn Housing Co-operative, Cambuslang, Glasgow

History

One of the aims of the founders of the Co-operative Movement, The Rochdale Pioneers, was "to build a number of houses for members" after achieving their first aim of "the establishment of a store" to sell basic necessities to members which began trading on 21 December 1844; the date recognised internationally as the founding of the global Co-operative Movement. The first housing provided by a co-operative was built in Spotland Road, Rochdale by the Rochdale Pioneer Land and Building Company in 1861. This was taken over by the main Rochdale Equitable Pioneer Society in 1869; the main society having built eighty four homes for members itself in Equitable Street and Pioneer Street, Rochdale in 1867.

The second wave of co-operative housing development came with the tenant co-partnership movement in the early 1900s. Starting in 1901 with the founding of Ealing Tenants Ltd, the first tenant co-partnership co-operative was built at Brentham Garden Suburb, Ealing; the name is showing the close alliance to the garden city movement of pioneering architect Ebenezer Howard. Other well known examples of co-partnership housing are at Hampstead Garden Suburb, now one of the most expensive parts of London, and Letchworth Garden City. The development of co-partnership housing was interrupted by the First World War. After the war legislation gave the co-partnership movement the same access to government aid as council housing, but in the post war world, most councils chose to build for themselves. The co-partnership

movement slowly failed because it was funded by a mix of funding from tenants and non resident investors, the involvement of the latter creating pressure for the sale of the homes, with some asset stripping along the way.

The inter-war decades of the 1920s and 1930s saw the growth of the two dominant forms of tenure: council housing for working people and the emergence of home ownership for sale to the emerging middle classes. From the end of the Second World War to the mid 1970s, UK public housing policy was dominated by the encouragement of individual home ownership through tax relief on mortgage interest and the creation of a large portfolio of council housing (public housing) which at its peak in the 1970s provided homes for 31.5% of the population. In 2009, 69.5% were home owners, the majority purchasing with a personal mortgage loan, 12.4% were living in the expanding private rented sector, 9.7% in council housing (reduced in scale by the Right to Buy given to council tenants in 1980 and by large scale housing stock transfers), 8.4% in homes rented from not-for-profit housing associations and only less than 1% (approximately 0.6%) living in homes owned or managed by a co-operative or mutual housing organisation.

A third wave of co-operative housing development began in the 1960s with the development of Co-ownership housing. This was genuine co-operative ownership and management by residents who paid a monthly rental to meet the cost of servicing the mortgage borrowed by the co-operative to build their homes. It was made affordable by government tax relief on the mortgage loan. When members moved out they were entitled to a premium payment calculated by a formula in the lease. With rising interest rates

and market house prices, to which member premium payments were linked, co-housing became increasingly less affordable in the late 1970s. Over 40,000 co-ownership homes were built, but most co-ownership societies were wound-up in the early 1980s when the Conservative government led by prime minister Margaret Thatcher gave members the right to wind-up their society and own their own homes individually; this policy often generating windfall gains for members fortunate to be residents at the time.

The small fourth wave of UK housing co-operatives are relatively young compared to other European countries. They were founded in the 1970s and 1980s with government assistance programs designed to provide homes for low and mid-income families by not-for-profit housing associations (registered providers), some of which was used to create housing co-operatives. In addition, a small group of housing co-operatives have developed without government assistance using member loans and mortgages to raise funds and growth. The political agenda changed in the 1990s favouring large-scale housing associations as the social housing delivery mechanism over housing co-operatives. For this reason, the development of new housing co-operatives practically ceased in the 1990s, although a small number of homes continue to be developed by dedicated co-operative housing service agencies and registered providers which recognise the benefits of co-operative ownership and control.

The housing co-op movement is participating actively in the reorganisation of the council housing stock through tenant management co-operatives and council housing stock transfer to community mutuals and housing co-operatives.

Measuring the size of the co-operative and mutual housing sector in the UK is not easy. There is no definitive list of all housing co-ops and for those where data is available there are issues of consistency and accuracy of the data provided. In 2007 in England, there were 243 housing co-operatives registered with the Housing Corporation, the then statutory regulator with an average stock-holding of 40 homes owned by the co-operative, showing the relatively small size of these tenant-ownership co-operatives. At the last reliable count in 2002 there were 202 tenant management co-operatives managing a total of 84,000 homes owned by local councils. These were spatially concentrated in 53 local authorities, mainly metropolitan authorities, in London (66%) the North West (18%) and the West Midlands (8%) a pattern not dissimilar to tenant ownership co-operatives. There are now also five community gateway resident-led mutual housing associations in England and four community mutuals in Wales which have taken over the ownership of their homes from the council. Tenants of Rochdale Council in Lancashire, the birthplace of the Co-operative Movement, and the council have voted in favour of transferring the council's 13,664 homes to a multi-stakeholder co-operative of tenants and employees. The vote coming just weeks after Rochdale was declared the World Capital of Co-operatives at the ICA General Assembly in 2011. The Rochdale transfer breaks new ground in co-operative housing development. Scotland also has over 20 co-operatives, the biggest being Tenant's First based in Peterhead, and some very successful stock transfer co-operatives like West Whitlawburn outside Glasgow. There is only one small housing co-operative in Northern Ireland.

A fuller history of the development of housing co-operatives in the UK can be found in the report 'Forging Mutual Futures – Co-operative & Mutual Housing in Practice; History and Potential' published by

Birmingham University for the Commission on Co-operative and Mutual Housing and in 'Bringing Democracy Home' the report from the Commission on Co-operative and Mutual Housing (both of which are available at www.ccmh.coop). Further historical detail can also be found in 'Common Ground for Mutual Home Ownership' published by CDS Co-operatives (www.cds.coop/about-us/publications/common-ground-for-mutual-home-ownership)

Context

For a number of years, the country has been facing major housing challenges. Housing supply simply does not meet demand, a situation made worse by demographic changes and population growth. As a result the UK is facing serious problems with housing supply and affordability both for low and middle-income families. Council housing has had substantial investment in major capital repair after years of underinvestment between 1979 and 1997, which during the years of the Labour governments of 1997 to 2010 was the major focus of government investment. The present Conservative-led coalition has abandoned the last government's target to build three million new homes by 2016 to meet demand and, as part of its austerity drive to reduce government debt, has cut investment in the national affordable housing programme over the next four years by 63%. All new homes built under the programme will be let at 'Affordable Rents', which will be up to 80% of market rents. In many places these rents will not be affordable to working households.

In this context, the co-op housing movement, in collaboration with other housing organisations, is proposing several innovative initiatives such as Community Land Trusts, Mutual Home Ownership¹ and the Community Gateway and Co-operative stock transfers. Issues such as availability of land and financing, appropriate legal framework, sustainable development and community engagement are being addressed by these initiatives, particularly in Wales which has a supportive Labour and Co-operative-led national government. However, like the US and other western economies new housing starts have fallen rapidly in the wake of the global financial crisis to the lowest number ever in peacetime since 1924, with just an estimated 120,000 new home starts last year in comparison to the previous government target of 246,000.

Ironically, the financial crisis may prove to be a stimulus for new housing co-operative development. Large housing associations, the main developers of new affordable housing in recent years, can no longer cross subsidise development from profits on homes built for sale. Also co-operatives have a unique status in UK law which should enable them to access investment from long term investors, which may lead to the development of a new wave of co-operatives in which members have an equity stake similar to the co-ownership societies of the 1960s and 70s.

The future of Co-operative Housing

Interest in the potential of co-operatives has stimulated the report of the Commission on Co-operative and Mutual Housing 'Bringing Democracy Home' (www.ccmh.coop). As the report shows, the small co-operative housing sector in the UK is very successful. Housing co-operatives are generally robust and financially stable and perform, on all measures, better than other types of affordable housing providers. The future of this small sector seems secure. It is also being enhanced by the promotion of a governance and management accreditation programme developed by CCH in concert with the statutory regulator (now the HCA). This is aimed at

1. See 'New Foundations –unlocking the potential for affordable homes' at www.party.coop/files/2009/09/new-foundations-pamphlet-final.pdf

ensuring good governance and sound management in all housing co-operatives.

Tenant Management co-operatives in council housing are a well established mechanism for tenant control, with the development of new tenant management co-operatives being encouraged by government and by a simplification of the process for establishing them. Community Gateway (in England) and Community Mutuals (in Wales) are growing in number and success, with the co-operative Rochdale Boroughwide Housing transfer creating a new form of large scale housing co-operative in which both tenants and employees providing the housing service have a stake as members. This sets a new precedent and standard for future council housing stock transfers which may be emulated by other local authorities where stock transfer remains an option.

The combination of the global financial crisis and the UK Coalition government's austerity programme have combined to make the development of new, tenant-owned, affordable rental housing co-operatives significantly more difficult. They will only be developed where there is a combination of local support and an enlightened large registered provider housing association partner able to access the limited grant funding and use its financial capacity to help create a new co-operative.

But registered providers too are facing challenges. The new 'Affordable Rent' regime will consume their capacity to raise capital for investment; they are using up their asset cover for new investment at an increasing rate and will soon be borrowing at the limit of their financial gearing capacity. This, combined with the realisation that more needs to be done to bridge the yawning gap between the scarcity of supply and the growing demand for affordable housing is renewing the interest in the potential of new forms of co-operative and mutual housing tenure as a means of leveraging new sources of long term finance, such as pension fund investment, into the provision of affordable housing. This is particularly the case in Wales where the Welsh Labour Party made the development of new forms of co-operative housing, such as Mutual Home Ownership in which members have an equity stake in their homes, a key 2011 election manifesto pledge. With Labour now in control of the Welsh Government the commitment to use public sector land for co-operative housing is a firm commitment of its post election Agenda for Wales. The commitment in Wales is stimulating greater interest in the potential for housing co-operatives to develop alternative forms of tenure and financing in other parts of the UK.

Description

There is no specific legal structure for co-ops in the UK. However, the Industrial and Provident Societies (IPS) Act 1965 under which co-ops are incorporated contains statutory protection of the co-operative principles and requires co-ops to comply with the seven internationally adopted co-op principles.

There are currently 5 types of housing co-operatives in the UK:

ownership housing co-operatives, co-operative and community led stock transfer organisations which have taken over the ownership of council housing in England, Scotland and Wales, tenant management housing co-operatives, short-life housing co-operatives, and self-build housing co-operatives.

1. Ownership Housing Co-operatives

With government assistance

Most ownership housing co-operatives were developed in the 1970s and 1980s with government assistance in the form of capital grants to make rents more affordable. Today, there are 243 housing co-operatives registered with the Homes and Communities Agency (HCA), the government agency responsible for regulating affordable housing providers in the UK. Because public funds were provided, the HCA regulates the operations of these co-operatives. Key characteristics are:

- They are fully mutual, i.e. members must be tenants, and tenants must be members.
- They are owned, managed and controlled democratically by the members/tenants on one member, one vote basis. They elect a management committee (board of directors). The majority employs staff or buys operational services from agencies or housing associations.
- The members/tenants collectively own the property but each member/tenant does not have individual equity in the property.
- They are traditionally quite small (an average of 40 homes).
- Independent research shows that they are the most successful housing providers in terms of performance and resident satisfaction (see 'Bringing Democracy Home' the report of the Commission on Co-operative and Mutual Housing). As a requirement, a portion of vacant units must be filled through waiting lists maintained by the local housing authority, usually a minimum of 50%.



Edward Henry House - Tenants of the community campaigning for co-operative housing on the Southbank of the Thames, Central London circa 1983

Without government assistance

There is also a small portfolio (around 25) of ownership housing co-ops developed without public funding. These housing co-operatives are financed through mortgages and member loans. To that effect, they have set up a support network (Radical Routes) along with an investment tool (Rootstock) that every housing co-operative must invest in. Key characteristics are:

- They are fully mutual.
- They are communal housing.
- They have an elaborate recruitment process along with strict eligibility rules.

- Low-income people are eligible for housing allowances.
 - Their investment tool can lend them around 20% to 30% of the purchase value.
2. Stock Transfer Housing Co-operatives and Community Gateway and Community Mutual Housing Associations

Stock transfer of council housing to non-governmental housing associations was introduced in 1988. The impetus behind the initiative was the need to renovate the housing stock in the control of local councils and the borrowing limitations placed on council's by central government. Improved governance was also another factor in the transfer from local government to non-government management.

Stock transfer is a voluntary process and the tenants are involved in the decision making process. Transfer is done to a registered low cost rental housing provider—a status given to organisations that are registered with and regulated by the government regulator, the HCA.

The selling formula of council housing properties to registered providers is complex and based on a "discounted cash-flow model of valuation deriving from income and expenditure projections over a thirty-year period²". Sometimes, the cost of repairs and outstanding debts create a negative equity and the transfer is done at no cost, plus a grant to the not-for-profit registered provider or housing co-operative. When the value is positive, the registered provider borrows money to finance the transfer from the private finance market, although this may now be hard to come by for future transfers.

Stock transfer can also be approached with the Community Gateway Model developed by the co-operative housing movement. It is a step-by-step process to facilitate Council housing stock transfer, which could eventually lead to setting up a new registered not-for-profit 'community gateway association' which is locally controlled by the residents it serves, all of whom have the right to become members by paying a nominal £1 for a non equity voting membership share.

For more information about the Community Gateway approach to council housing stock transfer see the information on the website of the Confederation of Co-operative Housing at www.cch.coop/gateway/

A similar approach to housing stock transfer in Wales leads to the development of Community Mutual stock transfer housing associations.

3. Tenant Management Housing Co-operatives

Legislation adopted in 1994 gave all tenants of council housing the

legal *Right to Manage* their co-operatives, giving tenants for the first time housing management and maintenance responsibilities. Key characteristics are:

- The actual ownership of the properties remains with the local council, but the management is done by the co-operative.
- A feasibility study is carried out as well as an assessment of tenants' interest as a first step. A proposal is presented to the tenants, which includes the feasibility study and the management agreement. The co-operative is formed by a majority vote.
- A management agreement is signed between the local authority and the co-operative. The co-operative has the option to take on management responsibilities gradually through the Modular Management Agreement. The agreement also includes a financial arrangement (management allowance) to cover the costs of the transferred management activities. The management agreement is signed for 5 years after which

tenants are asked to evaluate the arrangement to determine whether they wish to maintain the agreement.

- Tenant management housing co-operatives democratically elect the board of directors or management committee, which is entirely composed of tenants.

- Government grants are available to assist in the formation of these housing co-operatives.

Evaluation reports point to the success of these co-operatives (tenants' satisfaction, economical operating costs, building upkeep, rent collection, safety, community and residents services, etc.).

4. Short-life Housing Co-operatives

Short-life housing co-operatives, most of which are in London or the South of England, take over properties that are not commercially rentable, for a limited

period of time. The co-op does not own the properties, but has a lease with the landlord. The tenant-members are responsible for keeping the property in good order and carrying out minor repairs.

Like ownership housing co-operatives, short-life co-operatives are registered as co-operative societies under the provisions of the Industrial and Provident Societies Act 1965, members having a 'par value' nominal £1 non equity share in the co-operative. Short life co-operatives have declined in numbers in recent years because landlords, mainly local councils or other public bodies have been taking the housing back for improvement or sale.

5. Self-build Housing Co-operatives

Self-build housing co-operatives are housing organisations where the members have been involved in the building of their properties. The labour that they put into building their properties gives them "sweat equity" in a form of a percentage of the property. They also



Perryview Housing Co-operative Limited, Crayford, Kent

2. 2004 UNECE Conference in Vienna, Mary Taylor, Housing Policy Practice Unit, University of Stirling

pay a rent for the operating costs. Only a small number of self-build co-operatives exist and each has different arrangements, mainly in partnership with a registered provider of low cost rental housing (a housing association).

Financing

Under the Coalition government's new 'Affordable Rent' regime, government grants from the governments Homes and Communities Agency are only available to registered providers of affordable housing that have the assets to raise substantial sums of private finance. Given the shortage of funding available from commercial banks, registered providers are turning to the bond markets to raise funds through long term bond issues. The level of grant funding has also reduced because of the higher 'Affordable Rents' (up to 80% of the open market rent for similar properties) which registered providers bidding for grant funding are now required to charge for new homes. This makes it very difficult for small housing co-operatives to arrange funding for rental housing. The only new co-operative rental housing that is likely to be produced under this new 'Affordable Rent' regime will be where a registered provider uses its financial capacity to develop a co-operative. The Confederation of Co-operative Housing is working with the HCA to encourage registered providers to consider developing co-operatives where there is support for them from the local authority, but only a small number of registered providers have indicated an interest in this initiative.

The future financing of housing co-operatives in the UK is currently the subject of much research and debate. A report on the future funding options for housing co-operatives produced by the finance working group of the Commission on Co-operative and Mutual Housing can be found at www.cch.coop/bcmh/docs/financing-co-operative-and-mutual-housing.pdf

Legal Framework

The legal instruments for the co-op housing sector are:

- Industrial and Provident Societies (IPS) Act 1965 – it is specifically designed for co-ops and societies set up for the benefit of members (a co-operative) or for the benefit of the community.
- Co-operatives can also register as non-profit companies limited by guarantee. (A number of co-operatives, particularly ones financed by members without government grants, have chosen this registration option because of easier administration available under Companies Act legislation, although this advantage has been largely removed by improvements in the arrangements for the administration of Industrial and Provident Societies).

Housing co-operatives do not have their own special legislative framework in housing or property law and operate, like other landlords, under landlord and tenant legislation. The special democratic nature of 'fully mutual housing co-operatives – (legally called 'co-operative housing associations') is recognised by their exclusion from statutory forms of tenancy and the statutory protection of tenant rights. A fully mutual co-operative is one where the rules of the co-operative require that all tenants be members and that only members can be tenants. Ownership co-operatives and short-life co-operatives tend to be registered as fully mutual co-operatives. Members of tenant management co-operatives have statutory secure tenancies because they remain tenants of their council landlord. Community Gateway associations are registered under rules

that do not require all tenants to be members, so their members have statutory assured tenancies, like the tenants of other registered providers of low cost rental (housing associations) registered with the HCA.

All co-operatives that have provided housing with grant funding from government must be registered with and regulated by the HCA.

The Co-operative Housing Movement

Founded in 1993, the Confederation of Co-operative Housing (CCH) is the UK organisation representing housing co-operatives. Its membership is open to housing co-operatives, regional federations of housing co-operatives and tenant-controlled housing organisations. The Confederation's objectives are to promote co-operative and tenant controlled housing as a viable alternative form of tenure, to represent their interests and to provide a networking forum.

The General Council is the governing body of CCH. The election of the thirty-five board members is based on regional, special interest federations and at large representations. Meetings of the GC are held every six weeks and are opened to the public. In recent years CCH has also developed a close working partnership with the National Federation of Tenant Management Organisations (www.nftmo.com)

For more information, visit: www.cch.coop

Other co-op housing membership based organisations are very active in the UK providing support services to housing co-ops such as the Co-operative Development Society Limited (CDS Co-operatives) (www.cds.coop), and BCHS in Birmingham (www.bchs.org.uk)

The Co-operative Housing Finance Society (CHFS) is an independent financial intermediary organisation that enables housing co-operatives to get mortgage financing by providing private lenders with a twelve-month mortgage interest guarantee. Although it issued guarantees for £14m of funding for new co-operatives between 1997 and 2002, with the changes in grant funding and decline in co-op housing development its business has been limited to monitoring and renewal of guarantees. It is considering what role it can play in funding new types of housing co-operative.

HOUSING CO-OPERATIVES IN USA

MARCH 2012



Maple North Consumer Housing Co-operative, Wixom, Michigan

STATISTICS

Population: 312,913,872 (2010)

Total housing stock: 130,599,000 dwellings (2010)

Total social (rental housing) housing stock: 1,200,000 dwellings (HUD estimate)

Total co-op housing stock: 6,400 housing co-operatives with 1,200,000 dwellings divided into 425,000 limited or zero equity dwellings and 775,000 market rate dwellings. Housing co-operatives account for about 6% of common interest ownership housing and about 1% of all housing units.

History

The first housing co-operatives were organized in New York City in the late 1800s. Historically, the development of housing co-operatives in the US followed two paths: limited equity and market rate. Major co-op housing development happened after World War I in New York, San Francisco, and Chicago, mainly involving people with higher incomes. More than 10,000 dwelling units of limited equity co-operatives were sponsored by unions and built in New York City during the 1920s. Most of the union sponsored co-operatives survived the Great Depression of the 1930s, while most of the market rate housing co-operatives did not.

Affordable housing co-operative development grew a great deal during the 1950s thanks to an unsubsidised federal government mortgage insurance program, and into the 1960s and 1970s with federal government subsidy programs. State agencies also spurred development of affordable housing, the most notable being the Mitchell-Lama Housing Program in New York. Mitchell-Lama provided both favorable financing and tax abatements, and was considered one of the most successful programs for developing affordable housing.

The Nixon administration ended the federal financial subsidy programs and replaced them with operating subsidies. As a result, co-op development for low- and moderate-income families in any appreciable numbers stopped in the 1970s. At the same time, the U.S. co-op housing movement failed to understand the power of

the condominium concept and to respond to social changes of the 70s and 80s. It could not compete with the millions of promotional dollars which went into condominium development and promotion of single family, title ownership as a wealth builder. Today, well over half of the US co-ops are in metropolitan New York City and most of those are market rate. Most new co-operatives in the rest of the country are affordable housing.

Context

To more effectively compete with condos, the co-operative housing movement must publicize the benefits co-ops have over the condos, such as lower financing and property tax costs as well as lower transfer costs at the time of resale. Moreover, housing co-operatives have a greater ability to accept social investment and partial outside or internal subsidy. Because of these advantages, housing co-operatives have the potential to meet the increasing needs of low- and moderate-income people. The co-op housing movement believes that it can meet the homeownership needs of people at 80–120% of median income without ongoing subsidy.

The co-op housing movement must convince politicians, at both local and federal levels, of the potential of co-op housing. Co-op housing is often overlooked and left out of federal and state legislation for single-family homeowners. Furthermore, co-ops are sometimes inappropriately included in legislation and regulation for rental property owners. Co-operatives in the USA need recognition that as a form of group home ownership they have many

economic and social advantages over both single family home ownership and profit motivated rental housing.

Description

As indicated above, housing co-operatives in the USA developed in two different ways: limited equity and market rate, and under several financing mechanisms as indicated in this table.

Limited Equity Housing Co-operatives		Market Rate Housing Co-operatives	
HUD – Insured and assisted	148,000	HUD – Insured	109,000
Lanham Act (purchase of Government owned housing)	35,000	Conventional, new construction	100,000
Former Public Housing	20,000	Conventional, conversions of rental	560,000
Farmers Home (in rural areas)	5,000	Membership sponsored	6,000
Mitchell-Lama (NY State only)	60,000		
State Housing Finance Agencies	45,000		
United Housing Foundation NY (Union Sponsored)	40,000		
Tenant Self-converted / UHAB (Urban Housing Assistance Bd.)	50,000		
CDBG/LIH Tax Credit (local & Tsx credit financing assistance)	7,000		
Mutual Housing (nonprofit)	15,000		
Total family dwelling units	425,000		775,000

NOTE: These are programs under which the co-ops were originally developed. As the majority of USA co-ops are now at or past their original mortgage restrictions, many have refinanced, paid off their mortgage or changed their orientation. Many UHF and Mitchell Lama co-ops have gone market rate, for example.

There are housing co-operatives for families of low, moderate and high incomes. While half of all the co-ops in the U.S. are in New York City, there are many in urban areas like Chicago, Atlanta, and the Detroit metropolitan area, Miami, Kansas City, Washington, and San Francisco.

About half of U.S. housing co-operatives are mid-rise or high-rise multi-family buildings and the rest are townhouses or garden style (3–4 story walk-ups). Three other smaller scale types have been also developed. See below for mobile and modular housing co-operatives.

There are two sets of terms used in housing co-operatives. In the New York area, the terms tenant-shareholder, stock and proprietary lease are used. Elsewhere, the terms used are member or co-operator, membership certificate and occupancy agreement. (Occupancy Agreements are primarily a federal, HUD phenomenon.)

Most housing co-operatives share the following characteristics:

- The housing co-operative owns (or sometimes leases) the property and the members, also called tenant-shareholders, jointly own the corporation.
- The co-operative corporation holds the mortgage (blanket mortgage).
- The member buys stock or shares (for co-ops located in

Washington and New York incorporated under the Business Corporation Law) or membership certificates. Except in strictly limited equity co-ops, members often must obtain a loan to purchase the shares (share loan). The shares and the proprietary lease or Occupancy Agreement guarantee the loan.

- The member signs a self renewing lease, called a proprietary lease or occupancy agreement. This gives him or her legal exclusive right to occupy a unit as long as the member fulfills its obligations to the co-operative.
- The co-operative is responsible, as the owner of the property, for all legal and financial obligations. The member pays a monthly fee, also called a carrying charge or maintenance charges, to the co-operative based upon the number of shares or size of unit.
- The member's total carrying costs include the monthly fee and the individual share loan repayment.
- Most co-ops restrict the rights of members to sell or lease their apartments, protecting the right of the co-op to approve any new member/resident.
- Members are both tenants, as determined by the occupancy agreement, and owners because of the shares held in the co-operative.
- The co-operative's property taxes are assessed against the co-operative as a whole (like a rental building) rather than the sum of the units like a condo. There is no reassessment when the shares are sold.

1. Market rate housing co-operatives

- Usually sponsored by for-profit real estate developers. Most new market rate co-ops are conversions of existing rental buildings in New York.
- Directed to households with middle to high income.
- Found more in largest and expensive cities where individual ownership is very difficult (blanket mortgage, lower property tax assessments, the ability to approve of one's neighbors and no reassessment of taxes upon sale are net advantages for the members).
- Shares are sold at market value. In some cases the co-op corporation collects a percentage of any capital gain to the owner on resale.
- Sale of shares is considered a sale of personal property instead of real estate, which means lower transfer costs. Transaction fees in most states are around 2–3% of the cost as compared to 7–10% for a condo.
- Most market rate housing co-operatives have a voting formula based on the number of shares held.
- Co-operative housing unit ownership is also open to revocable living trusts (used by wealthy persons to avoid estate taxes and probate). The property value increases and the aging population make these alternate ownership possibilities attractive to shareholders. Several mechanisms can be put in place to protect the co-operative overall control.

- In New York co-operative conversions, only a minimal percentage of units must be sold to create a co-operative housing project and a majority of units can remain in the hands of the developer. This can create some difficulty for the development of a viable co-operative community.
- Unsold shares could be an issue in some co-operative housing developments (New York conversion projects) Investors can buy shares and they have privileges similar to a developer such as:
 - Sale or sublet of the units done without board approval
 - Able to keep units in perpetuity.

2. **Limited equity housing co-operatives**

- Sponsored at first by labour unions and ethnic immigrant societies, they are now usually sponsored by a non-profit organisation or a tenants group with a few using the Scandinavian type mother-daughter mutual, where required under federal legislative subsidy programs.
- Purpose: prevent speculation, encourage long-term residency and preserve affordability.
- Targeted to low- and moderate-income families.
- Government financial assistance can be used to maintain affordability of shares. Not all limited-equity housing co-operatives receive financial assistance. Assistance is in two forms.
 - Assistance may in the form of a lower interest rate offered by two federal financing programs (Section 221d3-Below Market Interest Rate and 236.) and by some state housing authorities. Both federal programs have been discontinued, but some co-ops financed with those programs are still benefiting from a 40 year mortgage with a low interest rate (state or city bond financing like Mitchell-Lama also provides a lower interest rate).
 - The other form of assistance is Section 8, rental assistance to individual owners based on income. The government pays this assistance to the co-operative.
- Shares are sold according to a predetermined formula established in the co-operative's bylaws that limits the rate of return. (Original cost of the shares plus a modest annual increase usually based on inflation, depreciated value of improvements and return of principal). If the market does not support the formula, then a market price no higher than the formula price.
- Shares are typically much less than down payments on comparable condominiums.

3. **Leasing housing co-operatives**

- Property is leased by the housing co-operative on a long-term basis from the owner, sometimes with an option to buy. The residents manage the building as a co-operative.
- This is used by syndicates of investors to take advantage of federal income tax credits. The co-op is a co-general partner in the syndicate.

- Share prices can be whatever is required to create the co-operative. Share prices can be fixed or adjusted annually like those of any limited equity co-op.

- If tax credit program financing is used, at the end of the 15 year tax credit period, the co-op can buy the building from the investors. Leasing co-operatives with other arrangements exist.

4. **Mobile Home Parks or Manufactured Housing Communities**

- Co-operative owns the land and any common utilities and amenities.
- Members own their manufactured home and have complete control over the management of the home.
- Members jointly manage the park.

Since the last edition of this profile in 2007, arrangements have been established enabling owners of mobile and modular homes renting sites in a "park" to buy their park on a co-operative basis. Resident Owned Communities are now the most widespread and active form of new "housing co-operatives" in the USA. Available information from 18 states list more than 200 limited equity parks. There are about 700 co-op owned parks with 160,000 mobile and modular homes in Florida, mostly market rate, and 184 in California with about 30,000 homes. Vermont, home of "ROC USA" has 100 plus co-op parks with 5,800 homes. The total number of these co-operatives in the USA is already more than 1,200 and with nationwide availability of financing and sponsorship by a new non-profit, "ROCUSA," the number of rental park conversions is increasing each year.

5. **Cohousing**

- Communal type of setting – common house and recreation areas.
- Designed and managed by residents – each one owns their own house.
- Few cohousing developments are organized as co-operatives – the majority are condominiums or homeowner associations of fee simple houses.

6. **Special interest housing co-operatives**

- a. **Senior Housing Co-operatives**
 - Incorporate design and service features appropriate to a senior residency and each co-operative decides whether or not to offer extensive personal or home-care services.
 - Most co-operatives limit all units to 55 and older (minimum of one 55 year old member per household is required by law in order to meet an exception to the federal requirement that landlords may not discriminate against families with children under 18).
 - There is one kind of senior co-op, called a deep equity co-op, where most members were homeowners and upon becoming members use the equity in their house to pay the co-op's share. These co-operatives may provide community facilities

and services in addition to housing. The co-operative may still need a blanket mortgage for around 30% to 40% of the value.

- Senior housing co-operatives have also been developed in rural areas. (Retirement oriented communities using the co-operative form of ownership are popular in the upper Midwest, but not commercially successful for the developers and lenders. There are some large scale market rate retirement co-ops in Florida and the Southwest and Western States.)
- Zero equity senior co-operative housing has been successful with a federal loan/grant program (ex. HUD Section 202) to reach very low-income seniors using the Scandinavian approach (mother-daughter approach). CSI Support & Development (www.csi.coop) is a not-for-profit real estate development and property management firm that has been providing affordable rental co-operative apartments for seniors in California, Maryland, Massachusetts, and Michigan. For almost 50 years, CSI's mission is to use their unique co-operative management system to provide superior, affordable senior housing communities. All the residents are members of their building co-op and also the mother co-op and they manage their own co-operatives with support from CSI.

b. Artist Housing Co-operatives

- Organized as leasehold or limited-equity co-operatives.
- Specifically designated to artists.
- Combine housing and workspace needs.
- Goal: permanent affordability.

c. Student Housing Co-operatives

- Housing for students on or near university campuses.
- Could be dormitory, house or apartment building.
- Minimal membership fee is charged (typically \$50).
- Canada and US Student Housing Co-operatives work together through NASCO.
- 2 corporations have been set up to assist in the development and the management of student housing co-operatives: NASCO Properties, a property-holding non-profit organisation that buys and leases buildings to housing co-operatives that pool co-op housing member resources such as maintenance reserves, and the Kagawa Fund which provides technical and financial assistance in the form of loans.

Financing:

Co-operatives for low-and moderate-income are now financed by local government (see New York City, for example), private sponsors and fiscal incentives. The federal government has mortgage insurance programs to protect private lenders from losses.

HUD – U.S. Department of Housing and Urban Development

- Section 213 – mortgage insurance program

- Provides full-faith-and-credit guarantees of 40-year, fully amortizing, fixed-rate, non-recourse construction and permanent loans.
- Insurance for the construction and permanent loan (Insured Advances) or the permanent loan only (Insurance Upon Completion).
- Loan to value ratio of 98%.
- A Co-operative Housing Management Insurance Fund has been set up with reserves to meet any possible default on the Section 213 mortgages – the mortgage insurance premium is ½ of 1% of the total mortgage outstanding. Section 213 co-ops have been so successful that patronage refunds from excess reserves are paid back to the co-operatives. 50 year total loan losses have been less than 0.1% (.001) per year.
- Section 221d3 and Section 236 – 100% loan-to-value loans for moderate-income co-operatives.
- Section 223f – a refinancing program for older buildings that did not have HUD mortgage insurance before.
- Section 8 – Government rent subsidy program where residents meet income eligibility guidelines and pay 30% of their income for rent. Income is certified annually to determine the rent amount.
- Section 202 – Buildings in this housing program are mortgaged at the rate of interest in effect at the time the project was built. A market rent, based on operating expenses and mortgage payments, is determined by the building's annual budget. All residents pay 30% of their income for rent, up to market amount. The difference between the individual's rent and the market rent is returned to the building in the form of a Housing Assistance Payment.
- Capital Advance – This program replaced the 202/Section 8 program. Mortgage payments are waived and the mortgage is forgiven if the building remains affordable throughout its mortgage period. Rents are based on 30% of a resident's income and can exceed the market rent. The Project Rental Assistance Program (PRAC) subsidises rents. Rent payments over the market rent reduce the subsidy. If the subsidy is reduced below zero, the difference is deposited monthly to a residual receipt account in the building's name.

National Co-operative Bank / Together We Can Program

- Goal: preserve and develop affordable co-operative housing using technical assistance, training, advocacy and predevelopment capital for experienced non-profit developers.
- Housing co-operatives in existence for more than 2 years are eligible. First and second mortgages and lines of credit are available.

Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac)

- National loan market for co-operatives housing / both buy co-operative blanket loans and share loans. Both can buy

uninsured mortgages. Provides liquidity for lenders. Guidelines for purchasing mortgages become a tacit set of regulations.

Federal disposition program - HUD gives priority to tenants who want to buy their building when the landlord defaults.

New York City programs - Conversion of city-owned, federally subsidized and distressed buildings.

- Tenant Interim Lease program (TIL). When application is selected, tenants of city-owned buildings go through an interim period managing their building while they receive training and support. The City does major capital improvements before transferring the building to the co-operative. Tenants buy their apartments for a minimal amount (\$250) each.
- Third Party Transfer is a property disposition program of the Housing Preservation and Development (HPD) of New York City. This program gives the city the capacity to foreclose on distressed tax-delinquent properties and transfer them directly to a responsible owner such as a housing co-operative. Tenants of these buildings have an option to work with an organisation (UHAB) that will take ownership temporarily while helping tenants create an HDFC (Housing Development Fund Corporation) co-op.

Strict rules and a strict process regulate the conversion of a building into a co-op. Some tenants (disabled, senior, rent-stabilized) are protected and may be able to stay in the building as tenants.

Non-protected tenants may have up to 3 years to vacate before the units can be sold. The developer and the co-op afterwards must ensure that the units of those individuals are well maintained.

Fiscal incentives:

Section 216 of the Internal Revenue Code allows shareholders to take a personal income tax deduction for mortgage interest and real property tax payments made by the co-operative housing corporation. The deduction is prorated to their shares.

Interest of the individual loan to purchase the shares is deductible from personal income tax.

Reverse Mortgages – an investment tool for senior housing co-operatives

- Goal: convert part of the unit's equity to provide for an income stream.
- Member must be at least 62 years old.

- Member can borrow against the equity held in the co-op from a bank.
- Paid in lump sum payment or monthly payments / No payment of interest and principal until the apartment is sold, the member moves out permanently or the last apartment's tenant dies. Interest accrues and is added to the loan.
- Loan amount is based on the age of the member (as an example, an 80 year old member would be able to borrow about 42% of the unit's value). Location, unit value and interest rates are also considered.
- Loan is a non-recourse loan meaning that the owner can never owe more than the value of the apartment, regardless of the loan balance.
- If the co-operative consents to such a loan, it signs a Bank Recognition Agreement limiting the risks for the lender in re-selling. (Recognition Agreements are also required for share loans.)



Blackstone Housing Co-operative, Detroit, Michigan

assessed before making a loan.

Funds from private foundations, states and local governments

At least 33 states have set up housing trust funds. But only a few include co-ops as mostly are for rental housing.

Legal Framework

Co-operatives existed in the U.S. before any federal or state government program. They are creatures of a combination of state corporate law and landlord-tenant law. Some states, such as New York, California, Maryland, DC, and Florida regulate the sale of co-op shares through disclosure and consumer protection requirements. California and Florida impose a state regulatory scheme on co-op operations, similar to the regulation of condominium operations in those states.

At the Federal level, "regulation" of co-ops not insured by HUD consists of:

Kagawa Fund – an investment tool for student housing co-operatives

- Pool of risk capital to eligible campus co-operative development projects.
- Financed by individuals' and organisations' investments, donations and grants those support the student co-operative housing movement.
- Traditional lending criteria as well as social criteria are as-

- Tax law. For shareholders to get the same personal income tax deductions for mortgage interest and real estate taxes that are enjoyed by single family owners, the co-op must get at least 80% of its income from residential shareholders. This presents a hardship for some NY co-ops with ground floor commercial space or parking garages, but is not a problem in the rest of the country.
- Secondary mortgage market. Fannie Mae and Freddie Mac, government sponsored enterprises with publicly traded shares on the stock exchange, adopt standards for loans that they buy from private lenders. Those legal and underwriting standards become ad hoc regulation.

Some affordable co-ops without a HUD-insured mortgage may accept Section 8 rental assistance from HUD on behalf of needy families. HUD regulation of these co-ops is limited to property inspections and a review of management processes to ensure accurate financial records.

There is private regulation by lenders holding blanket mortgages. Such regulation tends to restrict the co-op from changing bylaws or managers without the lender's consent, requires the co-op to maintain insurance and reserves, and requires annual audited financial reports.

The Co-operative Housing Movement

Incorporated in 1960, the National Association of Housing Co-operatives (NAHC) is the national co-operative housing organisation in the United States. It is a non-profit federation whose mission is to represent, inform, perpetuate, serve and inspire the nation's housing co-operatives. Its membership includes housing co-operatives, mutual housing associations, co-op housing associations, and other resident-owned or controlled housing, professionals, organisations, and individuals interested in promoting the interests of co-operative housing communities.

There are also several organisations developing, representing and serving housing co-operatives in the different states as well as organisations representing specific interest housing co-ops.

For more information visit: www.coophousing.org

Housing co-operatives: People first!

Housing co-operatives around the world take three main forms: rental, limited equity and market value. They can also vary in the type of buildings they own and manage, from high rise buildings to single family homes and from urban to rural locations. Housing co-operatives also use different financial mechanisms dependent upon the economic and political realities that surround them. But above all, they share one fundamental element: the members collectively own and/or manage the housing in which their members live. It is not just another place to stay; it is home.

Co-operative ownership of housing means:

- **Affordability** – Fair, affordable and viable rents are the goal; the motive being to provide a housing service to the members rather than to generate profit for an external third party. Without fear of having to move for economic reasons, they seek to offer security of tenure.



- **Commitment to social goals** – Engagement with and support for the surrounding community's concerns and projects is made easier. Through the co-operative, members become aware of local social issues and decide to act together with their communities. Actions by individuals can be difficult but housing co-operatives have proved numerous times that together projects can be accomplished for the well being of the community.
- **Personal growth** – Housing co-operative members develop new skills and confidence as they deal with finances, buildings and people. Training is offered to the co-operative's members and networking, capacity building and information sharing bring new learning opportunities for them. Members' personal development through participation in the co-operative benefits individuals and the whole community and often leads to the opportunity to apply new skills to employment and job creation.



- **Decent place to live** – As owners, members balance their priorities and the co-operative's budget. They can tailor their needs with their wants and search for long lasting benefits. Modern properties, homes with enough personal space, communal space for social activities and appropriate landscaping allowing children and adults to play; these are things that people can better achieve in a co-operative environment.
- **Security** – Knowing your neighbors and pursuing the same goals make for safer communities. The management structure of co-operatives gives members the ability to address security issues and implement solutions for the benefit of all.
- **Transparency in management** – Members have control of and democratic decision making power over the affairs of the co-operative. Elected leaders and staff must report to the members regularly. Major decisions must receive the approval of the members: a good and accountable way to ensure efficient and proper management.



