



Reading Room: [Housing](#)

What Is Co-operative Housing?

McKinlay Douglas Ltd has been involved with a number of innovations in housing policy over recent years. These have included substantial work on reverse mortgages otherwise known as home equity conversion and on Papakaianga housing. Details of this work are available on request from us. The following paper was prepared as part of work MDL undertook assisting a community group in Eastern Porirua consider options for self-management of social housing

A brief background on housing co-operatives can be found in the following paper.

Internationally, co-ops are a common way of giving people control over the management and, sometimes, the development of their own housing. Its attraction comes from the fact that, when people group together, they have a much greater ability to get things done than they have working on their own.

The common feature of co-operative housing is that the housing is controlled by the people who live in it through a democratically run organisation of which they are members.

The Co-operative Housing Federation of Canada, which has been very active in promoting housing co-operative, describes them in the following words.

Co-ops are member controlled organisations, and the people who occupy the housing owned by the co-operative corporation are its members. Unlike tenants in a traditional rental situation, each member has one vote in the operation of the co-op. Every year the members elect, from among themselves, a board of directors to manage the business and the affairs of the co-op. Instead of rent, members pay a monthly housing charge to cover the cost of the mortgage, taxes and all operating expenses. There is no landlord, and housing charges rise only as costs increase.

Types of Housing Co-operative

There are three main types of Housing Co-operative;

- tenant management co-operatives;
- not-for-profit ownership co-operatives;
- individual ownership co-operatives.

Tenant Management Co-operatives

Tenant management co-operatives do not own the housing their members live in. Instead, the housing is usually owned by a public housing authority. The tenant management co-operative either has a management contract over the housing or a long term lease. The effect is that the co-operative, and its members, have control over the housing and responsibility for running it. Even though the people living in the housing are still tenants, the shift from public control by a public housing authority to a tenant management co-operative can bring very real benefits.

In Toronto, Canada, the residents of a large public housing estate, Alexandra Park, have recently voted to take over management of their housing through a tenant management co-operative. The Co-operative Housing Federation of Canada, which

has been helping the tenants, put out a press statement following the tenants' vote to take over the management of their housing which included the following information on the benefits of co-operative housing:

- CMHC studies in 1990/1991 have shown that operating costs of housing co-operatives are 70% lower than those of public housing. This means that governments can save millions of dollars by housing low-income households receiving rent-g geared-to-income subsidies in co-ops instead of public housing.
- "The savings are realised in great part because the residents are members and provide "sweat equity" "CMHC studies show that between 76% and 90% of residents have participated in the management of their co-ops. People who are responsible for managing their own homes have a great incentive for keeping them well maintained. With co-op housing, everyone wins: the resident members, the neighbours, the government and the tax payers". As a result of becoming actively involved in running their co-op, many members become self-reliant or improve their work and financial situations.

Not-For-Profit Ownership Co-operatives

Most housing co-operatives actually own the housing in which their members live. Not-for-profit ownership co-operatives are ones in which the members have no individual ownership rights. The equity which is built up in the co-operative's property, as mortgages are paid off or property values increase, belongs to the co-operative as a group and not to individual members.

The benefit to members from paying off mortgages or increased property values comes through reduced charges, and not through owning a share of the gains.

Not-for-profit co-operatives have been popular where people believe that housing should be taken "outside the market".

Individual Ownership Co-operatives

Most housing co-operatives provide some means which allows members to share in the growth of value (as a result of reducing mortgages and/or increases in property values) of the housing they occupy. There are a number of different ways of doing this. Some of the more common include:

- giving the member the power to transfer the right to occupy the housing to someone else. As the difference between the value of the co-operative housing unit and its share of any mortgages over the co-operative gets

wider, the power to transfer the right to occupy can become very valuable. Once the co-operative has paid off any mortgages it has a permanent right to occupy is very close to outright home ownership on an individual basis;

- some co-operatives give members the right to receive, in cash, a share of the gain in value of their housing unit when they leave. How much the member can take depends on the conditions put in place when the co-operative was established.

Existing or New Housing

Housing co-operatives have been used both to take over the management of existing housing and to create new housing for their members. World-wide, most co-operative housing has been new-build, giving members the opportunity to help decide the design and quality of the housing in which they will live (within whatever cost constraints are set by the terms of the finance which the co-op is able raise).

Co-operative Support

Managing a co-operative requires a wide range of skills. Democratic control by membership means that these skills need to be widely shared.

Successful co-operatives have always depended on good support structures. Most housing co-operative movements are made up of what are known as first tier co-operatives and second tier co-operatives.

First tier co-operatives are the individual co-operatives responsible for the management of co-operative housing. These are the co-operatives to which members living in co-operative housing belong.

Second tier co-operatives provide the specialist expertise needed to help the members of first tier co-operatives develop the skills they need. Typically, second tier co-operatives will have access to expertise in areas such as:

- membership development;
- architectural design;
- building management;
- property maintenance;
- finance;
- legal services;
- etc.

Membership of second tier co-operatives is made up of the first tier co-operatives which draw on it for support.

In the early days of establishing individual housing co-operative movements, the role of the second tier co-operative will usually be filled by a group which wants to see co-operative housing established and acts as a sponsor to get the movement going. Examples include:

- in Canada, the Credit Union movement backed the establishment of housing co-operatives and provided the initial expertise;
- in Sweden, the early support came from the trade union movement;
- in England, support for establishment of housing co-operatives came from bodies known as housing associations. These had been set up in the

nineteenth century by private philanthropists as a means of providing social housing outside the public sector.

Relevance for Eastern Porirua

Housing co-operatives offer a practical alternative for the management and/or ownership of public housing in Eastern Porirua. It offers present and future residents a greater involvement with what happens to their own housing. Co-operatives could provide a base for dealing with other community issues including employment and education.

The co-operative option should also be attractive to Housing New Zealand Limited. At the moment it has a lot of problems in managing its housing portfolio in Eastern Porirua. Vacancy rates are high. Housing New Zealand knows that it is having difficulty in letting its property.

Co-operatives could also attract Housing New Zealand as they offer other benefits in helping it manage portfolio nation-wide. If housing co-operatives work in Eastern Porirua, then they should work elsewhere also.

The Way Ahead

Housing co-operatives, if successfully established, could become a major force in housing in New Zealand. Setting up a housing co-operative requires a lot of effort and the support of people with a wide range of skills and resources.

For some people, especially those in the Eastern Porirua community, the focus will be on their own co-operative and the housing in which they will live. For others the focus will be on demonstrating that housing co-operatives can succeed as a different way of owning/managing public housing. They will want to see systems and structures in place which can be used to create and support not just one co-operative in one place but a number of co-operatives across the country.

At the local level this will require decisions on such matters as:

- who should lead the initiative to set up a housing co-operative?
- what kind of co-operative - management or ownership?
- how many houses/households should be involved?
- how do we get the support for establishing the co-operative?

Obviously, the leaders should be people who are respected within the community and also closely involved with housing. If possible, at least some if not all of the leaders should want their own housing to be part of the housing co-operative.

The leaders will become the initial members of the group which runs the housing co-operative. The first decision is not only who those leaders should be but the formal establishment of a steering committee/establishment group for the housing co-operative.

The next decision is what type of housing co-operative. Should it be a tenant management co-operative or should the co-operative actually own the housing. If it owns the housing, should it be a not-for-profit, so that individual households have no ownership interest or should they have an ownership interest.

Size is important. A smaller co-operative looks easier to set up because you are dealing with fewer people. However, a smaller co-operative will make relatively

little impact, either on housing in Eastern Porirua or in answering the question of whether housing co-operatives work. Balancing the fact that it is easier to set up small co-operatives against the need for good evidence that co-operatives work, one hundred housing units is probably a good starting figure.

The resource and support issues need a different approach in order to have the co-operative support skills discussed on page 3 of this paper.

For the Eastern Porirua project, it is also about getting the resources needed to set up first and second tier co-operatives for the first time.

Although this is a job for the second tier co-operative and not the first tier co-operative, the role of the first tier co-operative and of local community leadership is still a very important one. The second tier co-operative needs to operate as the servant of the first tier.

To get the second tier co-operative working, the community leadership working at the first tier level will need to make a decision on whom they should work with as the establishment group for the second tier. The McKinlay Douglas team, and the expertise they are able to draw on, are available for this role.

Once the local community leadership group has been set up, it will then need to set out the conditions under which the McKinlay Douglas team should work in setting up the second tier co-operative function and developing the support services needed to work with the Eastern Porirua community in setting up the first housing co-operative.

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