

Housing affordability in Europe

Alternative housing delivery: Housing cooperatives



Living Lab, Sweden

What is cooperative housing?

Co-operative housing, also known as a tenant ownership co-operative, or *Baugenossenschaft* in Germany, was a response to extreme housing shortages and severe housing speculation. The bulk of co-op housing development happened after the Second World War when European countries, faced a severe housing shortage. For example, 58% of the current housing co-operatives portfolio in Western Germany was developed between 1949 and 1970, the majority financed through the social housing system.

Cooperatives are a middle course between rental and owner-occupied housing. Members buy shares - the amount varies from one co-op to another – which gives them security of tenure (renting) through a perpetual lease as long as they comply with the terms of the occupancy contract. Rents are regulated and can increase only within prescribed limits.

Here's how cooperatives work in Sweden:

- 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.
- 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 Riksbyggen 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 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 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. Housing co-operatives hire staff directly or through HSB and Riksbyggen.
- 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.

Number of cooperatives

- 22% of the total housing stock in Sweden with 599,000 people living in housing co-operatives
- In Germany there are 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)
- 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.

Government support

In **Germany**, state involvement declined from 1986 with the withdrawal of financial support. 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 recommendations of the Expert Commission given in 2004 were that “housing cooperatives must seek to fulfill their potential”. 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.

In **Sweden**, 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 aim of Swedish housing policy 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.

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 Riksbyggen 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.

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.

<http://www.housinginternational.coop/co-ops/germany>

<http://www.housinginternational.coop/co-ops/sweden>

<http://www.thenews.coop/105689/news/co-operatives/solve-uks-housing-crisis-co-operative-approach/>