Housing cooperatives as an opportunity for solving the housing issue

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Abstract

One of the solutions for solving housing issues is a housing cooperative which provides non-profit accommodation possibilities to the members of the cooperative. A housing cooperative is an independent community of individuals who voluntarily act together in order to realize their common economic, social and cultural needs and wishes through the housing company which they jointly and democratically manage.

The article presents several cases of establishing housing cooperatives worldwide to complement the property offer on the market. The main part aims to analyze the development of such practice in Slovenia. The emphasis is on presenting experiences of housing cooperatives in municipalities of Ljubljana and Domžale, which were established in order to provide affordable and quality housing. The purpose of the housing cooperative in Ljubljana is therefore to facilitate construction, renting and management of non-profit apartments for rent, whilst implementing the participatory principle of planning. For Domžale, housing cooperatives based on the Swiss example are an interesting solution for solving the lack of non-profit apartments for young people and young families.

The need for closer cooperation between the state, the municipality and private capital has been established. Properties owned by the state and the municipality ought to be better utilized, since providing good living conditions for young people is an urgent step in ensuring sustainable development of the country. By establishing housing cooperatives, it is expected we could achieve common synergistic effects between younger and other populations, in association with the local community.

Keywords: housing cooperative; housing policy; Slovenia; national housing program

1. Introduction

In 2015, more than half of the population in the European Union (EU) member states lived in owner-occupied housing (from 51.8% in Germany to 96.5% in Romania). The number of tenants did not exceed the number of persons living in their own apartments. Demographic changes, but above all the ageing of the population, the increase in the number of smaller households, as well as socio-economic changes with temporary and new forms of employment demand new approaches to solving the housing issue. The percentage of persons living in rented apartments and paying rent at market price was lower by 10% in eleven-member states of the EU. Contrary to those countries, 39.9% of the population in Germany and 37.3% of the population in Denmark were living in rented apartments and paying rent at market prices. Similar applies to the Netherlands (31.7%), Austria (29.6%), Sweden (29.1%) and Luxembourg (21.7%). The share of population living in rented apartments and paying a reduced rent or living in such apartments without having to pay the rent was lower than 20% in all member states of the EU and in the six non-EU states (Eurostat Statistics Explained, 2017).
In Slovenia, the housing problematic is becoming increasingly prominent with each year. The living conditions of young people to a great extent depend on their parents. The Eurofound (European Foundation for the Improvement of Living and Working Conditions)’s survey from 2011 (Eurofound, 2014) puts Slovenia together with Malta on the top EU member and candidate countries with the highest number of young people, who are still living with their parents (85%). Young people do not have access to apartments due to their precarious employment relationships, low income, prices of apartments and rent, as well as an insufficient number of non-profit apartments. The number of applicants for non-profit apartments significantly exceeds the available capacities (Pristavec, 2015).

Since most young people today work in employment relationships which are concluded for a definite period of time, this limits their housing possibilities, especially as regards buying their own apartments. Because of such challenges, different countries have been trying to prepare affordable housing solutions to ensure quality of life and contribute to a better future without indebtedness.

2. Characteristics of housing cooperatives

One of the solutions is a housing cooperative which provides non-profit accommodation possibilities to the members of the cooperative. As regards the definition of the International Co-operative Alliance, a housing cooperative is an independent community of individuals who voluntarily act together in order to realize their common economic, social and cultural needs and wishes through the housing company which they jointly and democratically manage. Co-operatives are based on the values of self-help, democracy, self-responsibility, self-management, equality, solidarity and justice. Members of the cooperative believe in the ethical principles of fairness, social responsibility and caring for others. Housing cooperatives, as one of the forms of cooperatives, represent an alternative to the classic ownership and renting of properties, where the possession and property are owned by the organization, whilst the shares are sold to the interested future residents of the property. In the initial phase, the housing cooperative purchases or builds the housing units which can be apartments in blocks of flats or single-family homes in a particular area. By purchasing the shares of the housing cooperative, its members obtain the right to dwell in those housing units. Therefore, the members have a share in the corporation, but not a share in the property as they would if they purchased a house (Davidson, 2013).

A housing cooperative operates for the benefit of its members on a not-for-profit basis and provides accommodation in residential buildings to its members. There are several ways to do this. With the first option, a housing cooperative may be the owner of a particular number of housing units and individual members of the housing cooperative, based on their memberships and share have, have the right to live in a particular housing unit, typically on the basis of the limited amount of rent which is agreed between the members of the housing cooperative. This form is called a rental housing cooperative. With the second option, housing units are owned by the residents who have become members of a housing cooperative in order to ensure easier building and common management of residential facilities. This form is called ownership housing cooperative. The third option are cooperative building societies whose members pool the resources (or invest their own work) to build housing units. After the construction is completed, the ownership of the housing units is transferred to the members of the housing cooperative which is then either dismissed or assumes the role of a rental housing cooperative or an ownership housing cooperative (Juhart, M. et al., 2017, p. 282).

The key characteristic of housing cooperatives is that the residents live in their housing units as tenants, but through their membership in the housing cooperative they will become co-owners of the entire assets of the housing cooperative. As tenants, they will have all of the rights and liabilities prescribed by the legislation which arranges rent. As co-owners of the housing cooperative and its members, they will be able to co-decide regarding the construction of the facility and its management. Individuals who join housing cooperatives to purchase land and finance the construction of facilities obtain a mortgage loan and build the building into which they move.

Among other things, the housing cooperatives provide an additional possibility for resolving the housing problem...
with rented and owned apartments. They are particularly popular in larger cities, which are more industrially developed, have a greater number of inhabitants and less living space for them. Primarily, the purpose of housing cooperatives is to provide the members of the lower and middle-class without disposable funds for immediate purchase of the property to immediately move into a property and obtain ownership of the property with a long-term payment plan. The entire model operates on the principle of equality of its members and democratic decision-making. In their decision-making, members of a housing cooperative are independent and are not liable to a higher authority, as in the case of a relationship between the tenant and the landlord renting out the property (Committee of the Regions, 2012).

Architecturally speaking, the design and the construction of the building through the process of participation is the most important element of cooperative investment. The building has to be designed in such manner that it encourages communal living in the building, whilst taking into consideration the ecological standards and costs of living. The architecture of the buildings ought to facilitate or even encourage contact between its residents. The building is aimed to adapt to the quality of social life through communal spaces and a resident-friendly outdoor arrangement. The placement of a housing cooperative into an existing building in which primary activities have been abandoned or onto empty and unused plots of land represent an opportunity for regeneration and a more balanced development of the environment. The outdoor spaces (communal gardens, playgrounds, picnic and socialising spaces) and intermediary spaces (winter gardens, roof spaces) are an important extension of indoor spaces in which different activities can take place in different seasons. The ecological principles of construction have also been taken into consideration by using renewable/recyclable materials and designing energy systems which use renewable sources (heating), operate in accordance with natural principles (cooling and ventilation) and implement circular systems (water supply). The ecological principles of living are also reflected in the communal use of spaces, devices and vehicles (Planišček, 2016, p. 5).

3. Examples of housing cooperatives in Europe and beyond

3.1. Switzerland

The key characteristic of Swiss housing cooperatives is that people become their members in order to secure a non-profit apartment for rent. Members of housing cooperatives obtain a construction site in cooperation with the local municipality, take a mortgage loan and realize the project. Although the residents pay a rent throughout their life, they never become owners of such apartments (Horvat, 2015, p. 38).

In Geneva, they have participatory and traditional housing cooperatives. In a participatory housing cooperative, the membership is active in creating and implementing policy, in operations of the housing cooperative, as well as in building apartments and their later management. In a traditional housing cooperative, the members leave all such activities to the management or secretariat of the housing cooperative.

The main characteristics of the Swiss housing cooperative model are as follows (Juhart, M. et al., 2017, p.64):

- A non-profit organization whose purpose is to provide housing units at the lowest price, primarily or exclusively to its members.
- A democratic organization – each member has one the vote in the cooperative assembly (the top body of the housing cooperative).
- A hybrid between the strictly rental model and the classical ownership model, since the housing cooperative owns the building and assumes all liabilities arising therefrom, members are formally tenants of housing units in the housing cooperative, but they are also members of the cooperative assembly and they elect members of its management board.
• A company whose members have invested capital by share; as a rule, members have to deposit the amount ranging 5 to 10% of the value of the apartment, which they receive back if they decide to leave the housing cooperative.
• A community which encourages exchange and socialising between its members, solidarity and joint assumption of responsibility.

3.2. Czech Republic

In the Czech Republic, the housing cooperative model celebrated its 70th anniversary in 2017.

Characteristics (LaPalme, J., 2018):
• Members are tenants and not owners of the apartments. Housing units remain the property of the housing cooperative.
• Housing cooperatives operate as non-profit organizations and do not create profit.
• Housing cooperatives are managed in a professional or voluntary manner (9,700 housing cooperatives were established with the privatization procedure with 150,000 housing units managed by volunteers. The remaining 300 housing units with 280,000 units are managed by professionals).
• Members of the housing unit pay a share for the management/management of the housing cooperative.
• A monthly rent paid by the member of the housing cooperative is determined according to the used floor area.
• The paid rent for the apartment covers the cost of mortgage, insurance premiums, maintenance of the building and fee for managing the housing company (in 2011, the monthly fee amounted to EUR 6-8 per housing unit).

3.3. Sweden

The housing cooperative system is market-oriented in the long-term. This kind of system operates through the funds contributed by the members and funding obtained by the housing cooperative for the relevant investment (i.e. through EU funding). Members of the housing cooperative have to contribute 75-80% for financing the property and the housing cooperative takes a loan for the remaining share. When taking a loan, members of the housing cooperative may pledge shares of the housing cooperative as collateral (Co-operative Housing International, 2011).

Characteristics:
• Land and buildings are owned by the housing cooperative.
• Members of the housing cooperative have to purchase its shares at market prices.
• Members pay a monthly amount into the fund of the housing cooperative from which interest on mortgage limit of the housing cooperative and depreciation are covered, as well as operational costs and future investment for maintenance.
• Members are responsible for the maintenance of their housing unit, whilst the housing cooperative is responsible for the maintenance of communal spaces and the environment.
• HSB Riskförbund and Riksbyggen, the biggest Swedish housing cooperatives, provide a savings scheme into which potential members can deposit so as to pool the resources for purchasing shares of the housing cooperative – those who decide for this scheme have a priority right in selecting their accommodation.
• Members of housing cooperatives have the right to a 30% decrease in tax on expenditures for interest on the bank loan for purchasing shares of the housing cooperative.

3.4. Canada

Due to their popularity and recognizability, housing cooperatives in Canada represent a key example of good practices of housing cooperatives around the world. Approximately 18,000,000 citizens are members of housing cooperatives.
cooperatives and more than 100,000 of those people participate in activities and operations of housing cooperatives. In Canada, there are approximately 9,000 housing cooperatives and trade unions from different fields, from agriculture to financial services.

Characteristics:

In Canada, there are three main types of housing cooperatives (Gazzard, N., 2012; International Cooperative Development, 2018):

- Cooperative building societies operate on the principle of reciprocity, where all members of the cooperative jointly build single family homes until each member has their own housing unit. Once all housing units have been built, the work of the cooperative has been completed.
- Non-ownership or rental housing cooperatives were financed by the state. Housing cooperatives were established for households with low to medium incomes. In this manner, 80,000 housing units were created, but later the programme was abandoned.
- They began to develop ownership housing cooperatives in the 1990s. In terms of selecting members and social orientation, such housing cooperatives were very similar to the rental housing cooperatives, but they differ in that their members have invested much more capital into the housing cooperative. They can have ownership in property or ownership in the shares of the housing cooperative (Sinclair, A., 1996).

4. Development of the idea of housing cooperatives in Slovenia

4.1. General

In Slovenia, the first housing cooperatives were established in the first half of the 20th century in Ljubljana – they were called Dom and Hera. After 1945, several more housing cooperatives were established. Their purpose was to help individuals obtain affordable financing for the construction of housing units (Planišček, 2016, p. 5).

The legal basis for the establishment of a housing cooperative is presented in the Cooperatives Act, but the rules on the operation of cooperatives are defined in greater detail in the articles of incorporation. However, the Cooperatives Act is outdated and arranges the entire field of cooperatives in a singular manner: it does not define the housing cooperatives separately. The Housing Act, inter alia, arranges property rights, relations and management of multi-apartment buildings, lease relationships of residents, construction and sale of new apartments, as well as the competences and duties of the state, municipalities, bodies and organizations in the housing segment. However, it does not deal with housing cooperatives in an explicit manner. The National Housing Programme 2015 – 2025 defines a housing cooperative as an opportunity to implement alternative forms of living so as to improve the housing supply. The National Housing Programme is based on the constitutional provision that the state ought to create opportunities for its citizens to obtain appropriate dwellings and represents a document which responds to the current situation in the field of housing supply. It specifically focuses on ensuring quality of living for vulnerable groups of the population, the young and the elderly.

Today such alternative forms of living already present possibilities for creating housing cooperatives in order to build affordable apartments for rent that also comply with the wishes of their users as regards their location, equipment, size and space. In the most developed industrial countries, housing cooperatives are the main providers of apartments for affordable rent prices after the public housing funds. Housing cooperatives operate with the funds invested in accordance with the cooperatives’ principle. The land for building apartments is obtained under more favorable conditions (long-term lease) and in accordance with the agreement with the local community. A housing cooperative performs the tasks on its own: from the preparation of the building plan to the management of the building. The residents are chosen from amongst the members of the housing cooperative and have the possibility to co-decide on the management of the building (NSP, 2015).

4.2. Implementation of housing cooperatives in the Municipality of Ljubljana
In cooperation with the Faculty of Architecture of the University of Ljubljana, Zadrugator has cooperated in the participatory planning of housing cooperative projects on four locations in Ljubljana (capital city). Participatory planning comprised joint meetings, discussions and development of architectural projects. The four possible locations for starting housing cooperatives are the warehouse building at Kolezija, an abandoned building in Šiška, a brownfield site at Poljane and a land plot in Zalog. All of the selected locations are owned by the Municipality of Ljubljana. This project can represent a new opportunity for building affordable apartments within the framework of housing cooperatives (Planišček, 2016, p. 7-26).

4.3 Implementation of housing cooperatives in the Municipality of Domžale

4.3.1. On-going projects

In 2011, the Municipality of Domžale joined the initiative to build non-profit apartments for young families and non-profit protected apartments. The municipality affiliated with Zavod Tovarna from Novo mesto, an institution for the development of culture of living, socializing and multimedia. A plan was prepared so that the tenants, included in a housing cooperative, would provide a minimal deposit (co-participation) to secure their right to an apartment with non-profit rent and the right to co-decide on the construction, maintenance and social life of the residential building owned by the housing cooperative. During the first round of talks with Zavod Tovarna, the municipality studied the system of housing cooperatives in Geneva, identified the obstacles in the Slovene system and began to work on the necessary system changes.

The objective of the project by Zavod Tovarna is to create a reliable core of future residents which would, after the completion of the project, actively participate right up to the realization of the construction, the implementation and preparation of the documents for identifying the investment programme. The essential condition of the project was for the municipality to provide a land plot for non-profit apartments of the housing cooperative (also possible with an existing building). The housing cooperative Codha from Geneva was invited to participate as a partner, since they have a lot of experience with running a housing cooperative (Peterlin, 2012).

By following the Swiss model, Zavod Tovarna wanted to use the project to start ensuring non-profit apartments in Slovenia. This was possible with the funding for non-government organizations and small projects for mutual exchange of good practices within the framework of the Swiss contribution to the expanded EU. A suitable land plot for the building of non-profit apartments by following the established Swiss model of housing cooperatives was defined for the area of Spodnje Jarše. Later on, the municipal spatial plan was changed and the previous planned location for the housing cooperative is now an area allocated for social infrastructure.

The envisaged location for the housing cooperative on the location of Spodnje Jarše: the brownfield site Univerzala lies in the centre of Domžale and is envisaged for a housing cooperative. The land is owned by a company in liquidation. Therefore, the Municipality of Domžale ought to first purchase this land, since this is a condition for building apartments by using the EU funding. The arranged ownership rights for property are the fundamental precondition for obtaining the EU funding. However, in the first months of 2018 the appropriate decisions have not been adopted yet.

4.3.2. Practical problems with establishing housing cooperatives

The viewpoints of the management of the Municipality of Domžale as regards the implementation of the Swiss model of housing cooperatives are as follows (Ješelnik, E., 2018):

- The Slovene tax mechanisms are not favorable enough to implement such foreign models of good practices, the state ought to disburden and encourage implementation of such models and good practices with different tax mechanisms.
- The financial ability of the private sector and the project partners is exceptionally low and disinterested – the share of loan financing is too high.
- The private sector assumes too little risk, the majority of the risk is borne by the municipality.
• Great similarity, terms and conditions for financing between the housing cooperatives’ model and the usual bank loan which the municipality can obtain and which is far less risky.

• The problem of evicting the tenants in the event of non-payment – the Slovene legislation is rather strict, but allows a situation where it is difficult to evict a tenant from the apartment if they had not paid the rent and costs for several months or years. There are issues such as covering the costs of living, monthly annuity of loan repayment, maintenance costs for the building and the surroundings.

4.4. The way forward

The Slovene legislation is not exact enough as regards the housing cooperatives in terms of their organization and financial aspects. It would be sensible to include non-profit housing cooperatives as equal partners of public housing organizations when building non-profit apartments. Despite numerous good practices from abroad and their positive effects, such experiences can be transferred to the Slovenian environment only within limited scope. The initiative of the Ministry of the Environment and Spatial Planning is encouraging, since (within the framework of activities envisaged in the Resolution) it has been preparing a pilot project for a housing cooperative and a proposal for starting points of legislative arrangement of housing cooperatives.

The state ought to assume a greater role and (in addition to supporting the renewed and more integrative housing policy) assume the collateral security for long-term mortgage loans to enable initial investment in housing cooperatives, provide land plots to investors for building under more favorable conditions and reduce taxes and contributions in the initial phase of the investment.

With the European Financial Perspective, the cities have obtained an opportunity to co-finance integrated urban projects. In the Operational Programme for the Implementation of the European Union Cohesion Policy 2014–2020, the Ministry of Economic Development and Technology listed measures for improving the urban environment, revitalizing cities, as well as regenerating and decontaminating brownfield sites. Within the framework of the measure “Increasing the access to local services and poverty alleviation,” support for activities contributing to reducing the risk of poverty in increasing the quality of life in the beneficiary areas are expected, such as encouraging healthy and active lifestyle, housing cooperatives and similar (Služba Vlade, 2015, p. 92, 126, 182).

The state and municipal-owned properties ought to be exploited to a greater extent and arrange the problematic in a systemic manner, since ensuring better conditions for the life of young people is one of the steps for ensuring a sustainable development of the country. In Switzerland, in the Czech Republic, in Canada and in Sweden the housing cooperatives have established themselves, because they have been supported by the state and the municipalities.

By establishing housing cooperatives in Slovenia, we would achieve common synergistic effects between the future younger population, the social life, the residents in housing cooperatives and so on. In addition, we would achieve greater ecological effects on the environment (e.g. by encouraging sustainable mobility) and greater connectedness with the local community.

5. Conclusions

Based on the surveys and work carried out so far to solve the housing issue, the need for closer cooperation between the state, the municipality and private capital has been established. Properties owned by the state and the municipality ought to be better utilized and this field ought to be systemically arranged, since providing good living conditions for young people is an urgent step in ensuring sustainable development of the country. Unfortunately, municipalities and potential partners have shown reservations regarding such initiatives and rather pioneering projects. Moreover, they have not shown interest in implementing novelties due to the ongoing challenges, such as the indeterminate and discouraging tax mechanisms, limited financial ability of the private sector and partners, an
excessive share of financing in the form of crediting, etc. However, by establishing housing cooperatives it is expected we could achieve common synergistic effects between younger and other populations, in association with the local community.

References


