

HOUSING RESEARCH REPORT

New Models for Co-operative Housing

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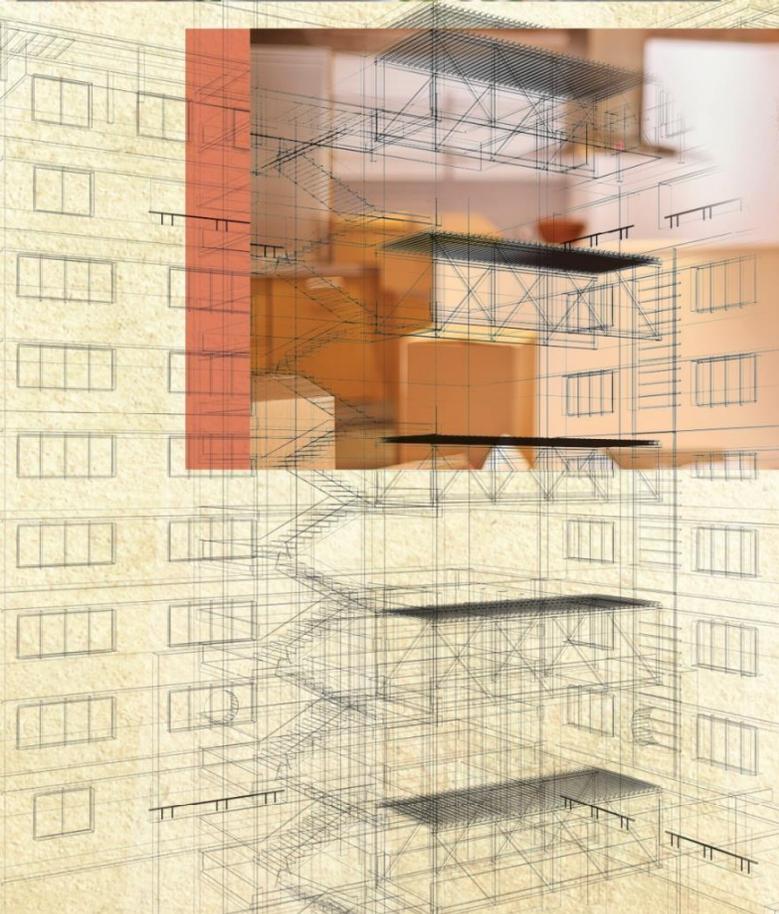
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New Models for Co-operative Housing

Synthesis Report
January 2018

Prepared for: Canada Mortgage and Housing Corporation
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EXECUTIVE SUMMARY

About This Study

This report was commissioned in order that the Canada Mortgage and Housing Corporation (CMHC) have a better understanding of how co-operative housing models operate in other jurisdictions and possible “best practices” that could be adopted in Canada to support the growth and expansion of the co-operative housing sector in Canada. The report relies heavily on secondary data available in the jurisdictions, although some information was also gained via direct communication with co-operative housing stakeholders.

This report synthesizes the key findings associated with country profiles prepared for Germany, Norway, Sweden, Denmark, Australia and Canada. Readers are encouraged to review the individual country reports for additional information.

There is a marked range of co-operative housing penetration across the various countries studied.

Overall, it appears that co-operative housing is a highly accepted and promoted housing model in the Scandinavian countries studied, as co-op housing represents a very high proportion of the total housing stock in Sweden (22.8%), Norway (14%) and Denmark (7.4%). In contrast, Australia has only a very small co-op housing sector, as such housing represents less than 1% (0.6%) of Australia’s total housing stock. Canada’s co-op housing sector is estimated to represent approximately 0.7% of the country’s total housing stock.

The significant difference in the relative role that co-op housing plays in each country cannot be ascribed to a single issue. Certainly, both Sweden and Norway experienced high levels of direct government support immediately after the end of the Second World War, but direct government support for housing co-ops in such countries is now on par with that of most other countries studied (very little direct government support). The high prevalence of co-op tenure in the Scandinavian countries is also likely reflective of considerable post-war subsidization. Although co-operative housing enjoys a high incidence rate in some countries, many of the jurisdictions studied still view direct home ownership as the preferred housing vehicle.

While the co-operative housing movement has had direct government support, direct government investment in co-operative housing is currently quite limited.

In most of the countries reviewed, it was found that the genesis of co-operative housing was the establishment of direct government support for co-operative-type housing projects. Similar to Canada, several jurisdictions (including Sweden, Norway, Denmark and Germany) implemented a policy of providing direct support (either via funding or the provision of land or other incentives) to

foster the development and growth of co-operative housing. Many of these initiatives were associated with post-war reconstruction or mass development efforts in the European countries.

In contrast to the high level of direct government support provided to co-operative housing after the Second World War, current government support for co-operative housing tends to be much more passive. In some jurisdictions, co-operative housing entities compete with other entities to win funding from government for housing projects. In other jurisdictions, governments provide favourable tax treatments to co-ops (Germany and Denmark), or the co-operative housing sector has been supported by savings/investment policies that allow individuals to enter into savings plans that will eventually lead to entry into a co-operative housing arrangement (Germany).

Equity models contribute to co-operative housing growth but do not necessarily translate into housing for low-income populations.

It appears that in the three countries where co-operative housing extends equity provision to tenants, those countries have high penetration rates of co-operative ownership. However, allowing co-operative units to be bought and sold at market prices has also introduced challenges in the co-op sector. In some countries (Norway, Sweden), individuals who are considering joining a co-op must pay market prices (approximately \$409,000 Cdn in 2012 in Norway) to obtain a co-op housing unit. This creates an affordability issue for individuals who would be classified as low income (unemployed, seniors, recent immigrants). Higher prices contribute to “co-operative gentrification” as units/buildings originally constructed to house low-income persons are now being occupied by middle- and upper-middle class residents.

In most other countries (Germany, Australia, Canada), there is little prevalence of full equity ownership. Instead, the predominant model is a non-equity model, where the purpose of the housing is not for financial gain. In this model, residents pay a modest fee to join the co-op, and rents are set as to ensure that the co-op can undertake required upgrading and maintenance. While the value of such properties has generally increased, there is very limited evidence that these existing co-operatives have leveraged the value of the property to obtain private-sector funding to build additional co-operative housing.

What best practices can be adopted in Canada to support the growth and expansion of co-operative housing?

While there are a number of promising practices, it appears that the growth and expansion of co-op housing could be supported by the following:

- Development of a full-equity model in which co-op units can be purchased/sold on the open market (Scandinavian model).

- 
- A photograph showing a man with glasses and a young boy looking at a laptop screen. The background is a blurred view of a residential building and a parking lot.
- Provision of additional direct government support for co-op housing as a form of social housing (rent subsidies, building/land subsidies, other).
 - Support for financing options (e.g., loan guarantees and/or mortgage insurance) would reduce the risk associated with co-ops' borrowing against current equity to support additional co-op formation.
 - Support of national co-op associations to support the establishment/growth of co-operative housing ventures across Canada.
 - Support for innovative pilot projects that would demonstrate the effectiveness of alternative co-op structures such as community land trusts (involving the co-op, the municipality, and lender) or legislation to allow co-ops to operate as a savings/loan institution.



RÉSUMÉ

Au sujet de l'étude

Ce rapport a été commandé afin que la Société canadienne d'hypothèques et de logement (SCHL) ait une meilleure compréhension du fonctionnement des modèles de coopératives d'habitation dans d'autres administrations et des pratiques exemplaires possibles qui pourraient être adoptées au Canada dans le but de soutenir la croissance et l'expansion du secteur de l'habitation coopérative au Canada. Le rapport s'appuie fortement sur les données secondaires disponibles dans les territoires de compétence, bien que certains renseignements aient également été obtenus par des communications directes avec les intervenants du secteur de l'habitation coopérative.

Ce rapport résume les principales constatations associées aux profils de pays préparés pour l'Allemagne, la Norvège, la Suède, le Danemark, l'Australie et le Canada. Les lecteurs sont invités à consulter les rapports de chaque pays pour obtenir de plus amples renseignements.

Il existe un large éventail dans la pénétration du marché des coopératives d'habitation dans les divers pays étudiés.

Dans l'ensemble, il semble que la coopérative d'habitation soit un modèle de logement fortement accepté et promu dans les pays scandinaves étudiés, car les coopératives d'habitation représentent une très forte proportion du parc total de logements en Suède (22,8 %), en Norvège (14 %) et au Danemark (7,4 %). En revanche, l'Australie ne possède qu'un très petit secteur des coopératives d'habitation, car ce type d'habitation représente moins de 1 % (0,6 %) du parc total de logements de l'Australie. On estime que le secteur de l'habitation coopérative du Canada représente environ 0,7 % du parc total de logements du pays.

On ne peut attribuer à un seul enjeu la différence importante entre le rôle relatif que jouent les coopératives d'habitation dans chaque pays. Certes, la Suède et la Norvège ont bénéficié de niveaux élevés de soutien gouvernemental direct immédiatement après la fin de la Seconde Guerre mondiale, mais le soutien gouvernemental direct aux coopératives d'habitation dans ces pays est maintenant comparable à celui de la plupart des autres pays étudiés (c'est-à-dire très peu de soutien gouvernemental direct). La prévalence élevée du régime coopératif dans les pays scandinaves reflète probablement aussi une subvention considérable après la guerre. Bien que les coopératives d'habitation affichent un taux d'incidence élevé dans certains pays, bon nombre des territoires de compétence étudiés considèrent toujours l'accès direct à la propriété comme le véhicule privilégié pour l'habitation.

Bien que le mouvement de l'habitation coopérative ait bénéficié d'un soutien gouvernemental direct, l'investissement gouvernemental direct dans les coopératives d'habitation est actuellement assez limité.



Dans la plupart des pays examinés, on a constaté que l'origine des coopératives d'habitation était l'établissement d'un soutien gouvernemental direct pour les projets de coopératives d'habitation. À l'instar du Canada, plusieurs administrations (dont la Suède, la Norvège, le Danemark et l'Allemagne) ont mis en œuvre une politique de soutien direct (sous forme de financement ou d'octroi de terrains ou d'autres incitatifs) pour favoriser le développement et la croissance des coopératives d'habitation. Bon nombre de ces initiatives ont été associées aux efforts de reconstruction ou de développement de masse déployés dans les pays européens après la guerre.

Contrairement au niveau élevé de soutien gouvernemental direct accordé aux coopératives d'habitation après la Seconde Guerre mondiale, le soutien gouvernemental actuel aux coopératives a tendance à être beaucoup plus passif. Dans certaines administrations, les coopératives d'habitation font concurrence à d'autres entités pour obtenir du financement du gouvernement pour des ensembles d'habitation. Ailleurs, les gouvernements offrent des traitements fiscaux avantageux aux coopératives (Allemagne et Danemark), ou le secteur coopératif est soutenu par des politiques d'épargne et d'investissement qui permettent aux particuliers de souscrire des régimes d'épargne qui mèneront éventuellement à l'adhésion à un arrangement de coopérative d'habitation (Allemagne).

Les modèles d'habitation avec participation contribuent à la croissance des coopératives d'habitation, mais ne se traduisent pas nécessairement par des logements pour les personnes à faible revenu.

Il semble que dans les trois pays où les coopératives d'habitation confèrent une participation aux locataires, les taux de pénétration de la propriété coopérative sont élevés. Cependant, le fait de permettre l'achat et la vente de logements coopératifs à la valeur marchande a également créé des difficultés dans le secteur coopératif. Dans certains pays (Norvège, Suède), les personnes qui envisagent de se joindre à une coopérative doivent payer les prix du marché (environ 409 000 \$ canadiens en 2012 en Norvège) pour obtenir un logement coopératif. Cela crée un problème d'abordabilité pour les personnes qui seraient classées comme ayant un faible revenu (chômeurs, personnes âgées, immigrants récents). Les prix plus élevés contribuent à l'« embourgeoisement coopératif », car les logements/bâtiments construits à l'origine pour loger les personnes à faible revenu sont maintenant occupés par des résidents de la classe moyenne et de la classe moyenne supérieure.

Dans la plupart des autres pays (Allemagne, Australie, Canada), il y a peu de cas de pleine participation au capital. Le modèle prédominant est plutôt un modèle sans participation au capital, où le but du logement n'est pas de réaliser un gain financier. Dans ce modèle, les résidents paient des frais modestes pour se joindre à la coopérative, et les loyers sont établis de façon à ce que la coopérative puisse entreprendre les travaux de modernisation et d'entretien requis. Bien que la valeur de ces propriétés ait généralement augmenté, il y a très peu de preuves que ces coopératives

existantes ont tiré parti de la valeur de la propriété pour obtenir du financement du secteur privé afin de construire d'autres coopératives d'habitation.

Quelles pratiques exemplaires peut-on adopter au Canada pour appuyer les coopératives d'habitation?

Bien qu'il existe un certain nombre de pratiques prometteuses, il semble que la croissance et l'expansion des coopératives d'habitation pourraient être appuyées par les mesures suivantes :

- Élaboration d'un modèle de participation intégrale selon lequel les logements coopératifs peuvent être achetés/vendus sur le marché libre (modèle scandinave).
- Prestation d'un soutien gouvernemental direct supplémentaire pour les coopératives d'habitation en tant que forme de logement social (subventions au loyer, subventions à la construction/aux terres, autres).
- Le soutien aux options de financement (p. ex., garanties d'emprunt ou assurance prêt hypothécaire) réduirait le risque associé aux emprunts des coopératives par rapport aux capitaux propres actuels afin de soutenir la formation d'autres coopératives.
- Appui des associations coopératives nationales pour soutenir l'établissement et la croissance d'entreprises de coopératives d'habitation partout au Canada.
- Appui à des projets pilotes novateurs qui démontreraient l'efficacité de différentes structures coopératives, comme les fiducies foncières communautaires (auxquelles participent la coopérative, la municipalité et le prêteur) ou la législation permettant aux coopératives de fonctionner comme un établissement d'épargne ou de prêt.



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SECTION 1: INTRODUCTION

In the autumn of 2017, the Canada Mortgage and Housing Corporation (CMHC) contracted with R.A. Malatest & Associates Ltd. to complete a literature review/jurisdictional scan of co-operative housing models in selected jurisdictions around the world. The objective of the research was to identify “promising practices” that could potentially be adopted in Canada to support the growth and expansion of the co-operative housing sector in this country.

An early review of several jurisdictions was completed in order to identify co-operative housing models that should be further reviewed. It was determined that the following jurisdictions would provide a good overview of potential policies/initiatives that could be adopted in Canada, and profiles were prepared:

- Sweden
- Norway
- Denmark
- Germany
- Australia

A profile was also completed for Canada to allow for a comparison between the current Canadian model and co-operative housing models that exist elsewhere. For this report, six detailed studies were completed and each country is represented by a country profile (see Sections 4 to 9).

This report, the *Synthesis Report*, represents the summary of the key findings associated with the profile development.



SECTION 2: SCOPE OF WORK

2.1 Scope of Work

Given the limited amount of time and resources available to this study, it was decided that the research would focus on those jurisdictions that appeared to have made good progress in terms of supporting co-operative housing models. In addition, Australia was selected as a case study of a market in which co-operative housing has not been widely adopted.

Information regarding each country was sourced using a literature review report. Online sources were accessed and in most cases, research was limited to English language resources for each country (with the exception of Germany where primarily German documentation was reviewed). In addition, where appropriate, email/telephone/Skype communication was initiated with key stakeholders from the co-op housing community in the majority of countries.

In general, for each jurisdiction the research aimed to provide information as to the following:

- the current size of the co-op housing sector (proportion of total housing stock represented by co-op housing),
- a description of the current co-op housing sector,
- an overview of the legislation, policies, and/or regulations that govern co-op housing,
- an overview of financial considerations for each co-op housing market,
- a discussion of the challenges facing co-op housing,
- information as to innovative strategies used to support co-operative housing, including a discussion of possible application to Canada.

Each report also contained a bibliography of reports/resources accessed in the development of the country profiles.

2.2 Background

It should be noted that the research should be viewed with the following considerations.

1. Limited Access to Detailed Studies/Reports. It appears few countries published (in English) a comprehensive review of “what works” with respect to co-operative housing in their particular country. In some instances, it was necessary to base the research on newspaper/media accounts of current practices. Furthermore, while the team could access available reports for Canada and Australia in English, and in German for Germany, the team could not access non-English studies that may have been published for co-operative housing in Sweden, Norway, and Denmark.



2. Limited Ability to Validate Data/Information with Key Stakeholders. Efforts were made to connect with representatives in key positions in major national housing co-operative advocacy agencies in each country. It should be noted that such communications occurred with officials in three countries (Canada, Sweden, and Australia); attempts to connect with individuals in Germany and Denmark were less successful – only one person in each of these countries responded to a request for very specific information about taxation or clarification of online statistics. While it was expected that such individuals could comment on the strengths and weaknesses of the co-operative housing model for their respective country, there existed very different reasons for how the sector had evolved, which made generalizations difficult.



SECTION 3: KEY FINDINGS

Key findings in this section are presented under the following headings:

Co-operative Housing – Quick Facts

Development of Co-operative Housing Models

Promising Practices that Could Be Adopted in Canada

3.1 Co-operative Housing – Quick Facts

Detailed in Table 3-1 is an overview of the current state of co-operative housing in each jurisdiction included in the study. For more information, readers are encouraged to consult the specific country profiles in Sections 4 to 9 for additional details.

Several important observations may be made about the data highlighted in Table 3-1:

- Countries that enable “equity ownership” models of co-op housing appear to have a much larger co-op housing market than do countries in which equity ownership is limited or less prevalent.
- Almost all countries reviewed had one or more national agencies that represented the co-operative housing market in their jurisdiction.
- Direct government support of housing co-operative ventures is currently very limited in almost all jurisdictions studied. However, it is vital to remember that government support was critical to jump-starting the sector in the first place.

Table 3-1 Co-operative Housing Characteristics – Selected Countries						
	Sweden	Norway	Denmark	Germany	Australia	Canada
% of housing stock defined as “co-op housing”	22.8%	14.0%	27.6%	5.2%	0.6%	0.7%
% of population residing in co-op housing	18.0%	11.4%	23.6%	5.6%	0.6%	0.7%
Equity or non-equity models	equity	equity	both	mostly non-equity	mostly non-equity	mostly non-equity
Presence of strong national co-op association	yes	yes	yes	yes	no	yes
Financing arrangements for co-op ownership	no	no	no	yes	no	no
Direct Government subsidies to co-op housing	no	no	no	no	no	no

Most of the data presented above is from 2016 or 2017.



3.2 Development of Co-operative Housing Models

In general, co-operative housing is a relatively new housing model in most jurisdictions studied. While the European countries studied had some form of housing co-operatives as early as the latter part of the 19th century, co-operative housing received considerable attention and government support in response to housing shortages at the end of the First World War, and more prominently after the Second World War.

Co-operative housing is often seen as a form tenure that falls between pure rental housing (in which the tenant had limited rights and no ownership of the unit) and private home ownership. The co-operative housing concept was predicated on a model in which co-operative housing tenants would participate in the management/growth of the co-operative building. To facilitate low- to medium-income households joining a co-op, typically government provided a subsidy to the co-op associations in the form of a lump sum payment to cover the initial development (typically done in Canada), or direct subsidies to help cover costs of co-op construction/management (Scandinavian countries).

In response to the growth in the private sector to develop and provide housing, most governments have gradually reduced direct support for the construction and operation of co-op housing projects. In some jurisdictions, government legislation has allowed for the co-op entities to become full-equity models – in that tenants buy and sell units on the open market at market price. Many of the Scandinavian countries examined in this study (Norway, Sweden, and to a lesser extent Denmark) have migrated to such an equity model. While such models encourage private investment by individuals in co-op housing, moving to full-equity models also introduces affordability challenges, as the cost to join a co-operative (in terms of purchasing a unit) has risen to a point where low-income households cannot raise the necessary funds. In Denmark, while an equity model exists, the government has proactively supported social housing co-op models (which are non-equity), and the government also subsidizes the cost of the housing for low-income groups.

In most of the countries examined, with the removal of direct government subsidies for co-operative housing, the pace of co-op expansion declined considerably. In Canada, for example, while some new co-operative housing projects have been built, such projects require extensive brokering between various stakeholders including municipal governments, provincial housing authorities, financial institutions, and the actual co-op organizations.

Why is it difficult for co-op housing in Canada to leverage existing equity to fund new projects?

In Canada, many of the co-operative housing projects initially funded in the 1970s and 1980s have certainly increased in value due to the considerable increase in housing values in many major urban centres, including Montreal, Toronto, Vancouver, and Victoria, to name a few. For some housing co-ops, the value of the co-operative housing building can be in the tens of millions in today's real



estate market. While the not-for-profit co-operative housing association may possess considerable equity in the form of land/building that they currently own, it appears that few co-operatives have decided to leverage such equity to support the development of new co-op projects. Reasons for limited reinvestment based on current equity, include:

- Reluctance of financial institutions to carry mortgages for co-op buildings. In an interview with a Canadian co-op housing representative, it was noted that financial institutions were reluctant to issue loans against a current co-operative building due to challenges associated with recovery of the loan should there be a loan default.
- Limited desire/ability for existing co-ops to reinvest in new ventures. For some co-ops, the bylaws that govern the co-operative specify how reserve funds can be spent and may further limit the extent to which the co-op can engage in other investments outside of the specific building or property. It was also noted that co-op tenants would be reluctant to see building reserve funds used for purposes other than to support the existing property and/or building and their fellow members who might be in financial need.

In this context, while many of Canada's current co-operative housing associations possess considerable value in the form of existing projects/buildings, there has been very little progress made in terms of accessing such equity to support the growth/expansion of new co-ops in Canada.

3.3 Promising Practices that Could Be Adopted in Canada

As a result of the research completed, including a jurisdictional scan of co-op housing models that exist in other countries, as well as key informant interviews with stakeholders in the co-operative housing sector, several possible practices could be adopted in Canada to support the growth of such housing. These are outlined in the following sections.

3.3.1 Introduction of Initiatives Designed to Promote Co-operative Financing in Canada

Considerable equity currently exists in Canada's co-operative housing market in the form of the appreciated land/building values of projects that were built in the 1980s and are currently governed under co-operative housing policies/legislation. To unlock this equity for the purpose of forming new co-operative building projects, the Government of Canada (or the provinces) could consider implementing policies that would reduce the risks for private-sector lenders to lend against such assets. This could be in the form of a mortgage insurance or loan guarantee program. Such a policy would reduce concerns financial institutions might feel about lending to co-operatives and would encourage existing co-op tenants/associations to allow their equity to be used to finance other co-op projects.



3.3.2 Direct Government Support to Canada’s Co-operative Housing Sector

Canada witnessed a surge in co-op formation and construction in the 1970s and 1980s as a direct result of government investment in the sector. If the government is supportive of a mixed-income co-operative housing model, the provisions of either grants for construction, or rent subsidies to low-income tenants, could spur the formation and development of additional housing units. Current government support is described as “disjointed” and often consists of municipal/provincial governments providing one-time grants to selected housing providers to build co-operative housing. A coherent national program to support co-operative housing (in the form of capital grants, loans or rent subsidies) could stimulate the formation/construction of new housing co-ops in Canada.

CMHC and/or government could work to create a “tool kit” for cooperative housing that promotes housing affordability – a strategic toolkit to help leverage what has already been built in the sector to foster new growth. The tool kit might include the following:

- accessibility to financing in the form of per unit capital grants, low-cost financing or forgivable loans; mortgage protection, equity contributions
- assistance from municipalities in the form of land and inclusionary zoning
- the availability of rent supplements
- access to Federal lands

Given the challenges of getting new housing projects off the ground, it would be helpful if grants or other assistance programs could be “stackable” and not exclusive, enabling worthy housing projects to maximize their access to government or other help. An effective tool kit would help existing and potential co-op associations navigate the current landscape to see their co-op projects come to fruition.

3.3.3 Support for National and Regional Co-operative Housing Umbrella Organizations

Even in the absence of direct federal support for co-operative housing, new co-op housing projects are still being established and constructed in Canada, albeit at a much lower rate than in the past. However, such projects are characterized as requiring considerable brokering between numerous players: the co-operative association, the municipality or province, and the financial institution that is providing the funding. Many co-operative housing associations lack the level of knowledge and/or sophistication required to broker such relationships. It was noted that countries with strong, vibrant co-operative housing models also have strong national or regional umbrella organizations that represent the co-operative housing sector. In this context, the federal government could indirectly support the growth or expansion in co-operative housing by providing more support to Canada's existing co-operative associations namely the Co-operative Housing Federation of Canada (CHF Canada), its regional affiliates, and the Confédération Québécoise des Cooperatives d’Habitation.



Such support would allow these organizations to offer considerably more services in terms of outreach, education, and assistance in co-op support and development.

Although it is not possible to make enrollment with/membership in such agencies mandatory for co-operative associations, it might be valuable to promote and encourage membership, as it would further strengthen the ability of such national organizations to represent, advocate for, and promote the co-operative housing movement across Canada.

3.3.4 Other Initiatives

As part of the research, it was noted that there might be other practices that could be reviewed for possible adoption in Canada. Those other best practices have been listed, although it is recognized that some (e.g., designation of a co-op as a financial initiative) may be difficult to implement.

Designation of a co-operative housing agency as a financial institution

In Germany, co-operative housing authorities are allowed to operate as quasi-financial institutions. They can accept deposits from current/prospective co-op tenants and use such funds to re-invest in new co-operative housing ventures. It is possible that, with appropriate approvals and legislation, the large national umbrella association might be allowed to undertake the lending activities seen in large co-op associations in Germany. If direct involvement is not deemed feasible, then perhaps partnerships with co-operative financial institutions might be explored.

Improved public awareness about the co-operative housing model

In the absence of direct federal or provincial support for co-operative housing models, it is believed that only a small proportion of Canadians are knowledgeable about what co-operative housing is and how functions. It was noted that a public awareness campaign could be introduced to inform Canadians as to the benefit of co-operative housing and ultimately result in greater interest and membership in co-operative housing ventures. The awareness campaign could already start in high schools and schools of business at post-secondary institutions, such that information about the existence and nature of co-operative models received the same attention as information about entrepreneurship and other business models.



SECTION 4: CANADA

4.1 Quick Facts about Canada and its Co-operative Housing Sector

Population (2016):	36.29 million
Total housing stock (2013):	13,319,250 dwellings
Total co-op housing stock:	91,552 dwellings in 2,203 housing co-ops = 0.7% of total housing stock)
Number of co-op dwellers:	approximately 250,000 = 0.7% of the population
Purpose of co-op housing:	To provide low- and moderate-income Canadians with modest, affordable housing; to encourage the social integration of families and individuals of different incomes families; and to promote security of tenure for households unable to buy their own homes. ¹
Key agencies involved:	Canada Mortgage and Housing Corporation; provincial governments of each province/territory NGOs: Co-operative Housing Federation of Canada; Confédération Québécoise des Cooperatives d'Habitation

4.2 Co-op Housing Models in Canada

As may be seen in the quick facts table above, Canada’s co-operative housing sector is not large, representing only 0.7% of the housing stock in the country. This finding is surprising, given Canada’s international reputation as a leader in co-operative housing and the fact that in 1973 a politician referred to co-operative housing as the “third force in the housing market”. As is true of some of the other countries examined in this research project, Canadian society views owner-occupied, single-family dwellings as the best way of being housed.

Although a small number of equity housing co-ops exist in the country, the predominant housing co-operative model in Canada, and one that is found in all of its provinces and territories, is the non-equity continuing co-operative model. The housing co-operatives operating under this model are non-profit entities – the housing stock remains collectively owned by the co-operative. For the most part, housing is provided at cost, and the rents (sometimes called housing charges) are reasonable and not subject to market pressures. The housing co-op is governed by a board of directors who are elected to their office.

As shown in the following table from the CHF website, housing co-operatives are more predominant in the provinces of British Columbia, Ontario and Quebec (not surprisingly, the three provinces with the highest population). Quebec has the highest number of *co-ops*, whereas Ontario has the highest number of overall *units*.

¹ Agency for Co-operative Housing website, <http://agency-public.coop/about-co-ops/funding-programs/>, accessed October 20, 2017.



Canada's housing co-ops by the numbers		
Region	Number of Co-ops	Number of Units
British Columbia	263	14,749
Prairies	129	6,739
Ontario	553	44,230
Quebec	1,092	21,922
Atlantic Provinces	124	3,191
Yukon, Northwest Territories and Nunavut	5	162
TOTAL	2,166	90,993

The two most significant advantages of living in a housing co-operative are affordability and security of tenure. Since the vast majority of Canadian housing co-operatives are non-profit, the monthly rents or housing charges are commensurate with the cost of providing the housing. Increases in the monthly fees must be approved before implementation, giving residents both control and protection. Security of tenure is also guaranteed: unless individuals transgress against the rules of the co-operative or fail to pay their rent, they retain their dwelling – there is no possibility of its being sold out from under them or otherwise jeopardized. There are also social benefits to living in a housing co-operative; there can be a strong sense of community in the building, and residents have the opportunity to work with their fellow members for the common good of the co-operative. That is not to say, however, that co-operatives always run smoothly. Some critics have listed a number of problems that can arise within individual housing co-operatives when the board consists of people who lack training and have no experience with leadership or due process.

Canada has a national co-operative housing organization that provides services to housing co-operatives across the country, namely the Co-operative Housing Federation of Canada (CHF), which was formed in 1968. It has a number of regional offices throughout the country. The aim of the federation is “to advise, educate and support housing co-operatives.” This non-profit organization advocates for the cause of co-operative housing to government and has played a significant role in the development and support of co-operative housing in Canada. It works collaboratively to facilitate the building of new co-op housing and (through their financial services corporation called Encasa) to help co-ops obtain financing for improvements. Housing co-operatives in Canada can choose to become members of CHF. With the exception of Quebec, which has its own federation (affiliated with CHF), the majority of housing co-op associations are members of CHF and avail themselves of the services offered.

4.3 Evolution of Co-op Housing

Co-operative housing in Canada has been described as a “true grassroots movement.” Early efforts in co-operative housing in the 1930s and 1940s were supported by churches and, in some cases, unions. Many of these projects were “terminating” – once all members had been housed and all loans had been paid off, these co-operatives dissolved. University-student-developed continuing co-operative housing also began in the 1930s in Ontario.



In the 1960s, continuing housing co-operatives were successfully pioneered in Manitoba as family housing. Word got around, and soon other parts of Canada were also building co-operatives of similar scope. The formation of the Co-operative Housing Federation of Canada (CHF) provided a major impetus to increasing the profile and number of housing co-operatives in Canada. The 1970s and 1980s have been described as “the heyday of government funding,” and many new co-ops were built during that time. Cuts to government spending in the late 1980s and 1990s hit the sector hard, and it saw almost no development between 1992 and 2002. There is one notable exception to the halt in new housing co-operative construction, namely Quebec. In that province new development never really stopped as co-operative enterprise is a much more entrenched model in their system.

In addition to a lack of development of new properties, funding cuts have also negatively impacted the sector’s ability to remain true to its mandate to provide rent-geared-to-income units to low-income households. The reduction of subsidies to housing co-operatives has limited their affordability.

4.4 Overview of Legislation, Policies, or Regulations for Co-op Housing

The laws that govern co-operative housing were added into Canada's Housing Act in 1973. Each province and territory has additional legislation for co-operative housing. On its website, CMHC has gathered Provincial and Territorial Fact Sheets that document what is “unique to individual provinces and territories” in the area of co-operative housing.²

In Canada, a co-operative is considered a corporation. Every housing co-operative association is expected to adhere to federal and provincial legislation, as well as to the rules and regulations outlined in its individual bylaws. If changes to the bylaws of the association are required, they must be put to the vote at an association's general meeting.

As the status of most co-op associations in Canada is non-profit, there are restrictions on the sale or transfer of the building and personal gain accruing to an individual is not possible. Dissolution of a housing co-operative happens only rarely; housing co-operatives have individual “letters patent” that outline what happens to any remaining assets after dissolution.

The rules around subletting of units are made by the boards of individual housing co-ops and vary from co-op to co-op. The situation is complicated only if the unit was receiving a rent subsidy, as the subsidy is designated to the original household, not to any intermediate tenant.

The duties of the co-op’s board of directors include the right to vet new members of the co-op, to develop operating and other budgets, and to guide the co-operative in terms of setting priorities, etc. All members of the co-op have the right to stand for election to the board and to vote on candidates for election and on any agenda items brought forward at the general meeting.

² CMHC website, Guide to Co-operative Housing (<https://www.cmhc-schl.gc.ca/en/maintaining-and-managing/co-operative-housing-guide>)



4.5 Financial Facts

As mentioned above, the majority of housing co-operatives in Canada are non-profit continuing co-ops in which no equity accrues to the resident members. Members “purchase a share of nominal value (typically \$500 to \$1,500)” that does not appreciate in value over the course of their tenure.

Depending on how the housing co-operatives were originally funded by government, income ceilings may or may not be in place for the members.

Each co-operative member needs to pay rent for the right to occupy their dwelling. As most housing co-operatives are to run “at cost”, rents are set to cover operating expenses, paying off any debt, and contributing to a reserve fund for future maintenance or refurbishments.

Any tax exemptions for co-op housing would be related to the non-profit status carried by most housing co-operatives in Canada. They are able to claim a GST rebate, and they may also be assessed slightly lower property taxes. However, in practice the latter hardly happens and most housing co-operatives in Canada are paying the full amount in property taxes.

4.6 Challenges Facing Co-op Housing

As in all countries, co-operative housing in Canada is facing a number of challenges.

Responsibilities to vulnerable members:

The winding-up of the operational agreements between CMHC and the housing co-operatives presents serious challenges to the sector’s ability to continue to house their low-income members – often their most vulnerable members such as seniors, single parents, people with disabilities, and new Canadians. Without subsidies, the difference between what these members can pay and what it actually costs to house them has to come from somewhere. Either money has to be syphoned off from the reserve funds, or the other members of the co-op have to take over subsidizing the low-income members. It is true that once the agreements have expired, housing co-operatives have complete autonomy over what they want to charge and how they want to run their building. Therefore, in theory, they could simply ask anyone who cannot pay the full rent to leave the co-op. However, most housing co-operatives feel a strong sense of responsibility toward all of their members and see the protection of housing affordability for the low-income members currently living in the co-operative as a priority. There is a belief that it will require a new relationship with government; not a relationship that subsidizes the operations of housing co-ops, but one that ensures there is a flow – an uninterrupted flow – of housing assistance to low-income households. Only when housing co-operatives are freed from worry about how to continue to provide housing to their low-income members can they turn their minds to growth and development of the sector.

Growth of the sector:

The co-operative housing sector is not large in Canada. Growth is, therefore, a major imperative, but there are several challenges to it. As mentioned above, reluctance to consider investing in new housing co-operatives until the security of the low-income members is ensured, is impeding growth. There are also a number of factors that need to be overcome. The riskiest stage for the construction of new co-op buildings is in the predevelopment and construction-financing phase. The challenge is

injecting enough support at this stage so that the risk for both co-ops and lending institutions is lessened.

Soothing lenders:

With operating agreements set to expire for many co-op housing associations in the next two years, it will mean mortgages are paid off. With the value of real estate having increased significantly in many parts of Canada, housing associations will be looking for ways to leverage the value of their land to undertake renovations and upgrades to property. Presently, banks are very reluctant to issue new mortgages to housing co-operatives. Credit unions (being co-operative entities themselves) are more approachable. Nevertheless, the implementation of policies to reduce the risk of lending to housing co-operatives would help more housing co-operatives become able to focus on looking forward and using their equity to fund new units.

4.7 Innovative Strategies for Overcoming Challenges

During the course of the research, some innovations for increasing the co-operative housing stock emerged. These are described below.

Pooled assets

At the 2017 annual meeting of the Co-operative Housing Federation of Canada, “two member resolutions supporting new development received unanimous support.” One of these related to the pooling of assets by co-op housing associations to help finance new development. Since it would be more difficult for an individual co-op to undertake new development (both in terms of planning and in terms of money), having CHF undertake the logistics and the co-op supplying assets makes sense. To this end CHF has helped the industry create a sector housing bank for new development.

Community Land Trust (CLTs)

“Community Land Trusts (CLTs) are organisations with an open membership and democratic control which put assets into permanent community ownership to prevent against excessive land value increases due to the speculative market.” A CLT is what the City of Vancouver and the Co-operative Housing Federation of BC formed, with financing provided by Van City (a financial co-op), to sponsor a housing co-operative in Vancouver. As an added benefit to the partnership, Van City offered a \$180,000 security of tenure grant for the co-op members to access if illness or job loss impeded their monthly payments. This model shows how creative and beneficial such collaborative schemes for producing affordable housing can be. This CLT model has been used by Canada’s federal government housing overseer, CMHC, in partnership with the BC government and a group of non-profit agencies for producing more affordable housing in the city of Vancouver in the past few years.

Equity models

Given the success of various forms of equity models in other jurisdictions, Canada might wish to consider supporting equity models in Canada for models that help households with modest funds gain access to the housing market. A twist on the equity model was used recently in Brandon, Manitoba, where Canada’s first equity-varying model seniors’ residence opened in 2013. In keeping with co-operative principles, the co-op was established and supported by another co-op. It offered shares based on the value of the size of the apartment being purchased. The initial investment was substantial compared to a non-equity model (ranging from \$18,000 to \$24,000 depending on the

apartment size), but the modest entry price provided an affordable price point for seniors wanting to remain in their community to age in place.

The multi-stakeholder model

The model used in the Manitoba co-op is uncommon in Canada but has potential for housing seniors, or those with some capital for investment who want an affordable home. It is the multi-stakeholder model. It has more than one membership class: a supporting class and a resident class. It allows for supporting members to purchase shares even if they do not reside at the property. Supporting members can be family members of the resident, members of a local business, or a form of non-profit organization (church, municipality, another co-op).

The co-operative principles of voting rights and selecting representatives for the board apply to resident members as well as to supporting members; both classes can select a representative of their class for the board. Together, all members establish the rules of the co-operative and decide who will be the members. The board composition is determined by founding members and the resident class will have the majority of seats on the board. Supporting members pay less than resident members for a share. When exiting the co-op, supporting members are given back their initial purchase price only, irrespective of whether the co-op is an equity (profit), non-profit, or limited equity model.

A multi-stakeholder model makes it easier to attain strong financial backing as the investment is shared by a larger group. A greater pool of members can strengthen the governance of the housing co-op as well. As a model to apply for seniors' residents, it can provide children with a way to see their elderly parents well cared for (at least for independent living) and allows for built-in estate planning as the investment is returned to the supporting members.

4.8 Supporting Documents

A bibliography of documents and websites accessed and reviewed will be presented in this section.

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SECTION 5: SWEDEN

5.1 Quick Facts about Sweden and its Co-operative Housing Sector

Population: (SCB, Statistics Sweden, 2017)	10,000,133
Total housing stock: (SCB, Statistics Sweden, 2016)	4,716,568 dwellings
Total co-op housing stock: (SCB, Statistics Sweden, 2016)	1,064,629 dwellings representing 22.8% of the total housing stock, and the bulk of new multi-family housing construction
Number of co-op dwellers: (SCB, Statistics Sweden, 2016)	1,800,000
Purpose of co-op housing:	To provide good housing at affordable prices to many and to give control of that housing to the dweller
Key agencies involved:	Government bodies: Ministry of Enterprise and Innovation NGOs: Two non-profit co-op organizations, <i>Hyresgästernas Sparkasse- och Byggnadsförening</i> (HSB) and <i>Riksbyggen</i> , represent about 50% of Sweden’s co-op housing portfolio; and <i>Sveriges Bostadsrättsföreningars Centralorganisation</i> (SBC) is the organization representing independent co-operatives

In Sweden there is, technically, no social housing, but municipalities are needing to reserve some of their public rental housing for disadvantaged citizens (households with “social problems” such as drug addictions and mental health issues). Less than 1% of total housing functions as social housing and it is for short-term use only. Some private housing is also available for rent by non-profit groups who can sublet the dwelling for short-term use.

5.2 Co-op Housing Models in Sweden

Co-operative housing began in Sweden at the end of 19th century. Early 19th-century co-operative attempts were rental housing co-ops formed to address acute housing shortages. In 1947, in response to the need for post-war housing, the government legislated to support all new housing construction with state subsidies. Although government support of co-operative housing has been gradually phased out, many years of such support in the past has resulted in a dynamic and significant co-operative housing sector. 56% of Sweden’s housing sector is multi-family dwellings, and co-operative housing holds the largest segment of this sector. In 2013, 37% of multi-family dwellings were connected to tenant-owned co-operatives. Today, residents of housing co-operatives rank among the most affluent in the country, second only to individual homeowners, with incomes above the national average.

Housing co-operatives (the *bostadsrätt*) vary in size but typically have between 20 and 100 units. Ten percent of housing co-operatives have more than 100 units and some have as many as 500 units. These large co-ops were built mainly in the decade of explosive housing construction from 1965 to 1975 (the Million Homes Programme decade). Today new luxury-amenity co-operatives of over 200 units are found in urban areas such as Stockholm.



Sweden's co-operative model moved from a limited equity model to an equity model in the 1960s. Co-operative shares, when sold, are transferred at market value. Members of co-operatives in Sweden are referred to as "tenant-owners" or "housing right holders" depicting the rights of the position: they fall somewhere in between homeowners and tenants. It is not a 50/50 concept: today's model more closely resembles private ownership where the individual's rights are stronger than the rights of the co-operative. Tenant-owners purchase a home – that is, a share of the co-operative – giving them security of tenure, the right to use a particular home, and a share in the co-operative's debts and assets. Each tenant-owner has equal voting rights: one membership equals one vote.

A co-operative share can be transferred in numerous ways. Tenant-owners may sell their share, give it as a gift, or bequeath it to offspring. The only transfer limitation is that the co-op association must approve the new membership. Similar to private ownership, tenant-owners are free to sublet their dwelling with co-op approval, but only for a limited time.

As Sweden's co-op housing sector formalized in the 1920s and 1930s, regional and national organizations formed to pool and disseminate co-operative housing resources and to represent needs to government. A secondary-primary structure emerged where the secondary (large co-operative) association functioned as a parent or umbrella organization to primary co-operative housing associations. The secondary organization built and sold housing to the primary co-operative and then sold property management services to the primary co-operative. The primary co-operatives were considered "attached" to their parent organization. Compulsory attachment ended in 1992, and today, primary co-operative organizations are free to buy property management services from whomever they choose although many still retain the services of their parent organization.

Sweden has two national secondary co-operative organizations: HSB Riksförbund (HSB) and Riksbyggen. They both have a mandate to produce and manage housing "at cost."

HSB, the National Association of Tenants' Savings and Building Society, is by far the largest co-operative organization in the country. Since 1923, the organization has played an important role in the shaping of Sweden's housing sector.

Riksbyggen (The Co-operative Building Organization of the Swedish Trade Unions), Sweden's second national co-operative property management organization, was established in 1940. Unlike HSB, which is made up of individual consumers, Riksbyggen is made up of partnering organizations of trade unions and the building sector. Riksbyggen does not have its own construction infrastructure (as HSB does). Rather it relies on partnerships with union-owned companies for building.

There are "unattached" or independent housing co-operatives in Sweden as well, and there is an umbrella organization for them that operates with much looser ties to its participating members. This organization is called the Swedish Central Organization of Tenant-Owner Co-operatives (SBC).

Co-operative Rental Housing (Kooperativ Hyresrätt)

There is a very small number of rental housing co-operatives in Sweden. Their democratic and participatory principles are similar to Sweden's standard model, but with no opportunity for capital



gains. Introduced under temporary legislation in 1987, 15 rental co-operatives started up in 1989. Permanent legislation was enacted in 2002, but by 2005 (latest data), there were only 65 rental co-operatives in the country. Although still found in some regions (e.g., Stockholm), this model has not received consistent support from political leaders, co-operative organizations, the general population, and businesses that would enable it to gain a strong foothold in Swedish society.

5.3 Evolution of Co-op Housing

Co-operative housing was seen as an important (but not the foremost) part of Sweden's housing policy, which was geared to improving the housing situation for all citizens after the Second World War. The government poured financial support into each of the housing tenures (homeownership, co-operative housing, and public rented housing) with easy access to credit for housing construction and favourable lending and financing terms. Municipal housing companies, however, received the best terms to facilitate the building of rental housing, seen as an affordable alternative (no down payment) to co-operative housing. They were given the power over subsidy distribution, building quota determination, and allocation privileges for a portion of newly-established co-operative housing. To mitigate speculation, price controls on co-operative shares and on public rental units were also introduced in 1942.

Sweden underwent a 'modernization' of housing policy in the late 1960s to reflect changes in Sweden's social and economic sectors, the most relevant to co-operative housing being the lifting of price controls on co-op shares in 1968 so that shares could be sold at market value. The price on co-op shares increased moderately into the mid-1970s, but then started to climb considerably from the late 1970s through the 1980s. The 1980s saw, in nominal terms, share prices increase 180% from 1983 to 1990. The co-operative boom was also fuelled by the liberalization of Sweden's credit market in the 1970s and 1980s.

Over time, municipal rental housing and co-operative housing were the two tenures that expanded the most in Sweden. From 1945 to 2015, the co-operative market's share of housing went from 4% to 23%; municipal public rental from 2% to 19%; private rental from 51% to 18%, while owner-occupied housing levels have remained stable (only increasing from 38% to 40%). Part of the co-operative and public rental expansion was due to the boom of housing construction between 1965 and 1974, when one million homes were constructed (the Million Homes Programme); approximately 160,000 co-operative housing units were built in that time. Another explanation co-operative housing's increased share is the conversion of public rented housing to co-operative housing (legalized in the 1990s), which occurs frequently, especially in urban areas.

In the 1990s, the government began withdrawing financial object support and diminishing direct government involvement with public rented housing. Measures were taken by the government to further two policy goals: to privatize the housing market and to help increase home ownership. The government continued phasing out object support until, by 2012, all general production subsidies had ceased. Government today favours demand-side subsidies (i.e., housing allowance that are means tested), and housing policy has changed, as one source said, from providing "Housing for everyone" to "Housing for you."



5.4 Overview of Legislation, Policies, or Regulations for Co-op Housing

The legislation governing housing co-operatives in Sweden is found in the following acts:

- the Economic Associations Act,
- the Housing Association Act, and
- the Tenant-Ownership Act.

Establishing a housing co-operative requires a minimum of three individuals, an appointed auditor, and it needs to be registered with the Swedish Companies Registration Office (*Bolagsverket*) to be a legal entity. It does not require a minimum amount of start-up capital. Members are to buy their share, to pay an annual membership fee and are liable for the purchase of their unit. They are not, however, liable for the general debts of the co-operative association.

Tenant-owners are to follow not only the rules set out in the Tenant-Ownership Act but also the housing co-operative's own bylaws.

If tenant-owners leave a co-operative, they are not entitled to a share of the co-operative's collective assets, only to their capital investment at nominal value, and perhaps with interest, if specifically stated in the bylaws.

5.5 Financial Facts

It has been estimated that 90% of all housing built in Sweden between 1956 and 1985 was financed either wholly or in part by government-subsidized credit. Currently, there is no national funding of co-operatives. Every tenant-owner finances his own home.

The price paid for a co-operative share consists of the dwelling's purchase sum (the personal mortgage) and a portion of the co-operative's mutual debt (the master mortgage). Banks are willing to provide financing for up to 85% of the value (LTV ratio). In 2012, master mortgages held by co-operatives totalled approximately €30 billion or 25% of Sweden's national debt. In 2016, the average cost of a tenant-owned apartment in Stockholm's municipality was 3.52 million Krona (approximately \$530,000 in Canadian dollars). By comparison, in rural Värmland the average cost in 2016 was 800,000 Krona (\$121,000).³

Besides the money required for a share, a member pays an annual fee which is broken into monthly installments. Monthly fees are set by the co-operative's Board of Directors to cover the operational expenses of the co-operative. The costs include loan amortization and interest, utilities, property tax, insurance, management/administration fees, and a reserve fund for future maintenance. It is up to the primary co-operative to make sure that monthly service charges to its members are sufficient to cover all operational expenses and for a reserve fund. If insufficient funds are kept in reserve, a financial loan might need to be arranged or an increase in monthly fees enacted for the current tenant-owners. Co-operatives are encouraged to run on the at-cost principle where, long term, the association sees neither a profit nor loss.

³Purchase prices of tenant-owned flats 2015–2016, Statistics Sweden, <http://www.scb.se/en/finding-statistics/statistics-by-subject-area/housing-construction-and-building/real-estate-prices-and-registrations-of-title/real-estate-prices-and-registrations-of-title/pong/statistical-news/sales-of-tenant-owned-flats-2015-and-2016/>, accessed December 14, 2017



Some associations set up two funds for maintenance and improvements which grow incrementally from monthly fees: a common fund for larger repairs and improvements of the collective co-operative, and a personal fund for making necessary repairs to the interior of a dwelling. This interior fund is paid into by current occupants of a particular unit, is earmarked for maintenance repairs, and transfers to the next tenant-owner upon sale of the share.

Other incremental costs that a co-operative might incur are ground rent (a site fee for the co-operative site if the land is not owned by the co-operative, which is the case for many co-operatives); and the annual “rent” charged by secondary co-operative associations. The rent for HSB, for example, is charged at a rate of 0.125% of construction costs annually for 20 years (amounting to 2.5% of construction costs). This revenue-generating venture for HSB helps to build capital for the organization.

Tenant-owners are extended the same tax relief as private homeowners; they are able to deduct 30% of their interest rate payments from their taxes for the personal loan portion of their debt, and there is a low ceiling on property tax.

All property sales are subject to capital gains taxation irrespective of whether or not it is the seller’s primary residence. There are, however, some rules for gains tax deferral that can be applied if it is a primary residence. There are allowable deductions when determining capital gains (e.g., acquisition price, improvement costs and repair costs from the last five years). After allowable deductions, owners pay tax on 73% of the net capital gain at a tax rate of 30% for the sale of private co-operative apartments.

5.6 Challenges Facing Co-op Housing

Sweden is experiencing acute housing shortages and has been for some time. In 2017, 255 of Sweden’s 290 municipalities reported housing shortages. Current housing construction rates will only allow for approximately 44 of those municipalities to move out of a shortage situation in the next three years.

Up until recently, only modest new housing construction has occurred while population growth has been greater, and much of the new housing has been built for the higher-income buyer. Construction of housing co-ops in Sweden has been limited.

Besides high construction costs, housing prices continue to rise in Sweden (and at rocket speeds in some urban areas). Rising prices make it difficult for segments of the population to purchase housing, even co-operative housing. Further, the population segments experiencing the most growth (refugees, asylum seekers, immigrants) typically have the lowest buying power. Young people, first-time buyers, and the elderly who are looking for dwellings more suited to their needs are also experiencing difficulties finding homes.

Aging housing stock is also an issue. The Million Homes Programme’s housing stock is up to 50 years old and 30% of it is co-operative housing stock. As the construction method during this time for multi-family buildings was panel construction, major renovations and upgrades are needed. Upgrades to aging stock would likely include retrofits for energy efficiency, an important concept to

Swedish building, but also an expensive venture. The Scandinavian countries have the second highest construction costs in the EU and high building standards contribute to this cost.

Other factors contributing to housing supply and demand issues include a shortage of qualified construction workers, lengthy deliberation and red tape in the development process, and a lack of competition in the construction sector.

Conversion of public rental stock to housing co-operatives has been a challenge in Sweden. Sitting tenants (tenants already in occupation of the apartment) can convert their rental unit to a co-operative with the participation of a two-thirds majority of people in the building. This has led to the gentrification of core areas in some of Sweden's largest cities. In order to deter the conversion of housing into luxury apartments out of reach to most of society, some renters converted their rented units to co-operative apartments instead. Although supporters of conversion tout it as a positive way to improve the socioeconomic and ethnic diversity in certain urban areas as it creates a mix of more affluent homeowners and low-income public rent populations, its critics see it doing the opposite: causing societal segregation and contributing to the loss of available public rental stock.

5.7 Innovative Strategies for Overcoming Challenges

As mentioned in Section 5.2, co-operative organizations built on a tiered structure are an innovation from Sweden and utilized in other countries successfully. A secondary co-operative organization develops a primary co-operative to be a self-sustaining entity. Optional maintained connectedness assists and supports the primary co-operatives with pooled resources (organizational, technical, and financial) that strengthens co-operative associations and promotes co-operatives as a successful housing tenure option. Canada is already using a version of this model where the Co-operative Housing Federation of Canada provides resources, some services, and lobbies government in the interests of co-operative housing.

Financial savings schemes are also a way to promote and serve co-op housing members. HSB and Riksbyggen both have savings schemes available for their members to help them save for the purchase of their co-operative share. HSB has been offering this since the 1920s and has about 110,000 members in their HomeSavers plan (in partnership with Swedbank); for Riksbyggen, it is a newer option and statistics on membership numbers is not available. As an added incentive, membership in the savings scheme provides for speedier access to a home when dwellings come available. While saving and waiting for their own home, co-operative members can rent housing from the organization. Accounts can also be set up for children.

In the case of HSB's HomeSavers plan, a co-operative member has three savings plans to choose from: a *Bospark* account which acts as a regular bank savings account (current 0.05% interest rate) and gives the member instant access to his finances; a better rate of interest (e.g., 0.65% for a five-year term) in a fixed rate account where money is kept for terms from three months to five years; or an ethical funds account that provides for higher potential gains but at higher risk. Money invested through the plan in any of the accounts has a points-reward system and the number of points is what gives the member the "leg-up" to access housing. A maximum of 5 points per month (500 SEK) can be awarded to a member.

This financial planning concept encourages membership investment with HSB as a member can gain quicker access to the organization's housing stock. It benefits HSB as it encourages a steady supply of members for new and existing co-operative and rental housing. Having a secure investing membership base provides capital for future housing development.

Although the personal investment by co-operative members in Sweden makes sense as the individual is saving for his/her own property and the building of his/her own equity, the concept of saving to make investments in non-equity co-operatives is successfully being done in Germany. So it may be possible to encourage co-operative housing members in Canada to invest for the betterment of their individual co-operative, for new co-operative projects, or for a future home outside of co-operative housing.

The challenge would be sustainability since a large membership base would be required to make the venture viable. By encouraging partnerships with other housing co-ops or by being coordinated by a national co-op housing organization, there may be scope for its applicability to Canada.

One last observation on Sweden's co-operative housing sector is the use of off-site construction techniques for housing, a practise they started developing in the 1970s. For multi-family building applications, like co-operative housing, the industrial construction conglomerate, Lindbäcks, uses a modular construction method with reduced assembly-line time. Finished units, built in a factory, are delivered to a building site ready to be assembled which increases on-site construction efficiency, and minimizes disruption to the surrounding community around the building site. Sweden adopted this construction process for many reasons, not least being a commitment to promoting energy-efficient living environments and to developing and utilizing innovative assembly-line building practices.

Although an expensive infrastructure to set up initially, using a modular product to build sound, good-quality housing could be applicable in Canada. It would be an especially useful construction method in regions of harsher climate or areas where space confines are issues.

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SECTION 6: NORWAY

6.1 Quick Facts about Norway and its Co-operative Housing Sector

Population (2017):	5,258,317 (Statistics Norway)
Total housing stock (2016)	2,485,353 ¹ households dwellings (Statistics Norway)
Total co-op housing stock:	14% of total housing stock ¹
Number of co-op dwellers:	601,055 ²
Purpose of co-op housing:	To provide opportunity for individuals to have a decent home in a living environment that is 'sustainable'
Key agencies involved:	Government bodies: Ministry of Local Government and Modernisation (Housing and Building Department), Norwegian State Housing Bank (Husbanken) NGOs: Norske Boligbyggelags Landsforbund SA (NBBL) (Co-operative Housing Federation of Norway); and Oslo Bolig og Sparelag (OBOS) (Oslo Housing and Savings Society)

¹ Dwellings (occupied and vacant), <https://www.ssb.no/en/bygg-bolig-og-eiendom/statistikker/boligstat/aar>, accessed December 9, 2017

² Statistics Norway, Households by Tenure Status (2016), <https://www.ssb.no/en/bygg-bolig-og-eiendom/statistikker/boforhold/aar>, accessed December 9, 2017

6.2 Co-op Housing Models in Norway

In terms of housing stock share, Norway has one of the world's larger co-operative housing movements. Severe housing shortages after the Second World War called for ways to provide mass affordable housing for Norway's citizens. Broad political consensus allowed for the setting of housing policy that promoted ownership of decent housing in a manner that would not be open to speculation. Co-operative housing using a limited-equity model was seen as the best option. Today, around 80% of Norwegians are homeowners either as a freeholder (63%) or as a part-/shareowner in a housing co-operative (14%). Co-operative housing is the primary tenure of multi-family housing, and apartment dwelling is on the rise in Norway although most Norwegian homeowners own detached housing. Only one-fifth (22.7%) of all households in Norway rent their dwelling; renting in Norway is considered an inferior way of being housed.

Norway's first co-operatives were limited-equity co-operatives (where residents owned shares and had user-rights to a unit, but the share's selling price has a maximum ceiling). After a number of legislative revisions in the 1980s, Norway's co-ops are now based on a full-equity model. Individuals buy a share that is of equal value to the unit being purchased, and when the share is sold, it is sold at market value.

A housing co-operative member has security of tenure, the right to use exclusively a specific dwelling owned by the co-operative and the right to use common grounds/building areas. The member is required to live in the dwelling, but special circumstances are allowed for temporary rental/use by specific parties as outlined in Norway's Housing Co-operatives Act.



Each shareholder has one vote, no matter how many shares are owned. The co-operative elects a Board of Directors to provide leadership for the co-op's operating affairs. The day-to-day business operations of a housing co-op (maintenance, other) is done by a secondary co-operative association or other management firm selected by the housing co-operative.

Norway's main co-operative housing organization is the Co-operative Housing Federation of Norway (NBBL), and it is the fourth largest member-association organization in Norway. The NBBL was formed in 1946 and is composed of 47 co-operative housing associations (also called secondary housing co-operatives) ranging in size from 50 to 300,000 individual members. The average housing co-operative is comprised approximately 50 homes. The Oslo Housing and Savings Society (OBOS) is another large co-op housing association that is set on becoming a national presence by expanding beyond its Oslo beginnings. Established in 1929⁴, it currently manages more than 75,000 co-operative dwellings in over 400 co-operative associations. It is worth taking note of OBOS since it has a savings program as part of its services, available to its members, to encourage saving for a future home.

Over time, a significant part of the Norwegian co-operative sector developed into associations affiliated with NBBL or other independent associations ("other" accounting for about 23% of the co-operative housing units in 1978). Today, there are still independent associations, but numbers from available research are unclear as to how many.

The main mandate of co-operative housing associations (or secondary co-operatives) is to promote the building of dwellings for members in 'primary' housing co-operatives. When housing co-operatives were established to help house post-war citizens, they were originally bound to their 'parent' (secondary) co-operative association. They could not leave the parent association and they were required to buy its management services. The compulsory bond between housing co-operatives and 'parent' co-operative associations was lifted when a new law was implemented in 2005.

In theory, building/development costs and management fees were to be "at cost" (i.e., not for profit). Membership fees collected from primary co-operatives, in turn, helped raise capital for the construction of more co-ops for members waiting in line for housing. Today, property development and property management (including upgrading and renewing housing stock) are main functions of secondary housing co-operative associations.

The sheer number of members in housing co-operative organizations has afforded greater bargaining power for the organizations when dealing with the business sector. Better rates and schemes have been realized for co-operative members in the areas of telecommunications, cable, and energy by leveraging the secondary co-operative association's usage volume.

Housing co-operatives are found all over Norway with high concentrations in urban areas. In Oslo, for example, about 40% of the housing stock is co-operative. Smaller urban and rural areas have lower proportions.

⁴ Statistics from OBOS website, <https://www.obos.no/dette-er-obos/english>, accessed December 11, 2017



6.3 Evolution of Co-op Housing

Norway's co-operative housing movement began in the 1930s and was built on the principle to sell at cost and make no profit. Co-operative housing really took off after the Second World War because it was viewed as the means by which a new housing policy centred on homeownership could be implemented and decent affordable homes could be provided to the population. A prior unregulated rental sector with unscrupulous landlords influenced policy makers to set policy favouring homeownership (either privately or via co-operative housing) over a rental tenure. Co-op housing became the new vehicle for social housing filled previously by the rental sector. The main stakeholders involved in accomplishing this goal were the State Housing Bank, individual municipalities, and the private sector.

The State Housing Bank provided construction subsidies and affordable financing; the municipalities provided affordable land and infrastructure (they were required to donate/provide land at reduced prices, but in turn could allocate and access some co-operative housing); and the private sector provided builders and management companies. Co-operative associations in partnership with municipalities were responsible for spearheading the building of most of the multi-family housing from 1950 to 1990.

Price controls on co-operative shares had been put in place in 1940 in order to prevent speculation, but in the 1980s, Norway underwent a major political shift from social democratic ideology to greater liberalism. Beginning in 1982, apartments belonging to independent co-operative associations could be sold at market value. By 1988, virtually all price controls were removed, and individuals in the co-operative housing sector were now able to sell their shares at market value.

At around the same time (from the late 1970s onward), the State Housing Bank's subsidies were gradually reduced. In 1995, interest rate (loan) subsidies to new home buyers ended. These subsidies had been the main underpinning of housing construction. As well, the credit sector was deregulated and government restrictions on the yearly volume of credit was abolished at the end of 1983 (up to then, credit was, in essence, rationed for Norwegian citizens).

Co-operative housing today is no longer the pillar of policy implementation it was originally, and it even fell out of favour somewhat in the 1980s when "individual aspirations" and private homeownership were sought for after spending habits of Norwegians changed with the new market-driven freedoms and freer access to credit.

Today, co-operative housing is viewed as a housing model for middle-income earners. It can be the stepping stone into homeownership for those wanting their own homes in the future, but it also provides secure living situations in population-dense areas. Co-operative organizations provide housing for special targeted groups such as seniors and the mentally challenged, and according to Statistics Norway, co-operative housing is a common tenure for individuals living alone.⁵ For financial, social or ideological reasons, co-operative housing is still an accepted tenure in Norway.

⁵ Statistics Norway, Population and housing census, households, 2011
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6.4 Overview of Legislation, Policies, or Regulations for Co-op Housing

The sector is governed by the Co-operative Housing Association Act (Act of 6 June 2003, n. 38 relating to house-building co-operatives (the House-building Co-operatives Act))⁶; and the Housing Co-operatives Act (Act of 6 June 2003 No. 39). Together these acts form the Housing Co-operative Laws. These laws both came into effect on June 6, 2003 and replaced older acts from 1960.

The Co-operative Housing Association Act (No. 38) provides the guidelines for housing co-operative associations' activities and for how they operate. It regulates how they conduct business such as member's rights concerning participation in the general assembly and in the board of directors.

The Housing Co-operatives Act (No. 39) outlines the organizational structure and administration of primary housing co-operatives; how they make business decisions (one member-one vote system); members' participation in the general assembly; property maintenance and conduct expectations; first right of purchase (pre-emption) and payment arrears.

Of notable interest in Norway's co-operative law is the subject of pre-emption or first right to purchase. If a share comes up for sale within the co-operative, it is transferred back to the housing co-operative at full market value. Members in the same housing co-operative have first rights to the vacant unit (known as pre-emption). If no one claims the first right of purchase in the primary co-op, the right moves to the secondary association members (if the co-op is affiliated with a parent organization). The first right of purchase became co-operative law for all co-ops (both affiliated and independent) in 1977.

The Act stipulates that a co-operative's bylaws need to make provision for pre-emption for it to be claimed. It can be exercised, for a very limited time, when the share is sold. It cannot be applied when the share can be transferred to a spouse or other direct relative. It is also not applicable when transferred because of divorce/separation or in the distribution of an estate.

6.5 Financial Facts

The State Housing Bank (NSHB), founded in 1946, has been Norway's major public finance institution since 1946. Since the Second World War, it has funded more than two-thirds of overall housing construction in Norway. By 2007, only 10% to 15% of new housing received a NSHB loan. Today, NSHB offers some financial products for Norwegian citizens, including:

- Start-up loans (startlån): These are offered and allocated by many municipalities. Funding is available to help build, renovate or refinance a home and is for those individuals having difficulty acquiring private market financing. In 2010, approximately 9,500 such loans were given. In order to qualify for one of these loans, however, the house needs to meet certain criteria concerning Norway's Universal Design policy (accessibility is the main issue) and its energy-efficiency.
- Housing allowances: These are available for people on limited incomes who qualify for housing assistance. There are also housing grants to provide assistance for disadvantaged individuals to help buy, build, or retrofit a home if accessibility/safety improvements are needed.

⁶ This Act could only be retrieved in Norwegian at <https://lovdata.no/dokument/NL/lov/2003-06-06-38>, accessed, but not translated, October 31, 2017



Basic loans are also available primarily to building contractors/professional builders based on market conditions and project merit to the public. No specific supplementation is given to co-operative housing or to the housing development spearheaded by co-operative associations.

To become a member of a co-operative association, like NBBL or OBOS, there is an initial registration fee (for OBOS, it is 300 Kroner – approximately \$46 Cdn) and then an annual membership fee (OBOS: 200 Kroner – approximately \$31 Cdn).

A modest number of first-time buyer mortgages are given out each year by NSHB where 100% of the required amount to purchase a dwelling is financed by the bank.

Co-operative members have two financial expectations to meet to be a part of a co-operative. First, they need to purchase a share in the co-operative; this, in 2012, averaged €270,000 – approximately \$409,000 Cdn (full market value). Second, they need to contribute their monthly proportionate share for the operating expenses of the co-operative. Thus, they may need to carry mortgage payments entered into on behalf of the co-operative as well as maintenance fees and any other carrying charges. Residents are jointly liable for meeting the financial responsibilities of the co-operative. If payments are missed by a resident, it could lead to expulsion and forced sale of their share.

Co-operative residents are permitted to deduct mortgage interest rate payments directly from their taxes, just as all other homeowners are. There are significant tax advantages given to homeowners in Norway that are not extended to renters; and the larger or more valuable the property, the greater the tax break. There is no other tax treatment advantage/disadvantage for co-operative housing residents, other than that the transfer tax of 2.5% (Stamp Duty) required by the government every time a piece of property changes hands is not required when co-operative units are transferred.

No special capital gains taxation exists for co-operative housing. All property sales are the same as any other housing or holiday property. Capital gains are levied at a rate of 25%. No tax is required if the owner has owned the dwelling for at least one year and has lived in it for 12 of the 24 months leading up to its sale.

6.6 Challenges Facing Co-op Housing

Increasing housing prices have been an issue for those wishing to enter the housing market. Housing prices have increased almost continuously since the 1990s. From 2002 to 2016, the price per square metre for co-operative multi-dwellings (apartments inter alia) increased by 183%; for co-operative row housing the increase was 128%. Prices for co-operative housing in Oslo increased even more in that same period: by 217% for multi-dwellings and 137% for row housing.⁷ In 2017, there has been a drop in housing prices (raising some concern about a bursting housing bubble), which in part is due to a recent increase in supply as more sellers have recently entered the market.

⁷ Table: 06696: Housing co-operative. Average price per square meter and number of sales, Statistics Norway, <https://www.ssb.no/statistikbanken/selecttable/hovedtabellHjem.asp?KortNavnWeb=bpi&CMSSubjectArea=priser-og-prisindekser&PLanguage=1&checked=true>, accessed December 13, 2017



Increased co-operative housing share prices are a challenge for those with fewer dollars to spend. It is especially difficult for those households who earn too much to qualify for state housing allowances, but not enough to afford current high housing prices, especially in urban areas.

Other challenges that are faced by co-operative housing including aging housing stock and an aging population. Thor Eek, CEO of NBBL, said in an interview with Housing Europe in 2015 that “housing policy priority at the moment is to fight for a housing policy that results in a sufficient number of new dwellings at affordable prices. We also have a high focus on the challenges according [sic] maintenance and upgrading of the existing housing stock to meet the demands of tomorrow, especially concerning energy consumption and the massive increase in the numbers of elderly people.”⁸ Norway does, however, have a high standard of housing construction, and little stock in the country would be considered substandard.

Renovations and energy-efficiency upgrades will not come cheaply as Norway has some of the highest construction costs in the EU. As mentioned in the *Financial Facts* section, the government has made some measures available, through financing and low interest rates, to assist homeowners in general with purchases and renovations.

Norway is also experiencing a strong trend to urbanization which is creating planning and development challenges in urban areas.

6.7 Innovative Strategies for Overcoming Challenges

Norway presents an interesting comparison to Canada in that the two countries have had success in co-operative housing, but their models have evolved very differently. Norway’s social landscape favoured the setting of housing policy which leaned toward a housing model of first limited, then full equity; Canada’s co-operative model of choice has been predominantly non-equity.

The success of the full-equity model of co-operative housing in Norway is owed, in part, to the value Norwegians placed on home ownership, a value that is shared in Canada. Norway’s endorsement of equity-based co-operative tenure, with favourable housing policy and government subsidies, has also made it flourish. As Canada already has a closer representative model to equity co-operatives in its existing condominium sector, limited applicability of the Norwegian model to Canada can likely be realized.

One interesting strategy used by OBOS is worth mentioning. To help bring about homeownership, Oslo’s largest co-operative organization has been providing a savings scheme to its members since its inception in the 1920s. Products offered by OBOS include savings accounts and house savings accounts, both available for members, children of members and young members aged 18 to 34 years. Features of the accounts are competitive interest rates, tax deductible amounts or combinations of the two. The OBOS Bank is partnered with the EIKA Group (Norway).

It would be interesting to see if partnerships with co-operative lending institutions could be fostered with co-operative associations in Canada. This strategy could be promoted as a long-term

⁸ <http://www.housingeurope.eu/blog-427/10-minutes-with-thor-eek-ceo-of-nbbl-in-norway>, accessed December 10, 2017

investment scheme to encourage Canadians to save for a future home (outside of the co-operative) to help encourage movement through the social housing system or, for dedicated co-operative housing supporters, as a way to create capital for the maintenance of current co-operatives and the development of future co-operative housing.

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SECTION 7: DENMARK

7.1 Quick Facts about Denmark and its Co-operative Housing Sector

Population (2016):	5,707,251
Total housing stock (2017):	2,815,045 dwellings
Total co-op housing stock:	<u>Housing co-operatives</u> (Andelsboliger) 208,498 dwellings (7.4% of total housing stock), approximately 10,000 co-op associations; <u>Co-operative Social housing</u> (Almene Bolig) rental dwellings 569,412 (20.2% of housing stock) in 700 non-profit housing associations and 8,000 estates
Number of co-op dwellers:	369,085 (housing co-operatives); 979,909 (social housing)
Purpose of co-op housing:	<u>Private co-operative housing</u> : a way for lower middle-class groups to access secure housing via a collective distribution of risk and responsibility; <u>Co-operative Social housing</u> : to provide appropriate housing for those in need at a reasonable rent and to give tenants influence over their own living conditions
Key agencies involved:	Government bodies: Ministry of Transport, Building and Housing NGOs: Andelsboligforeningenes Fællesrepræsentation (ABF), The National Federation of Danish Co-operative Associations; Boligselskabernes Landsforening (BL), The National Federation of Danish Housing Associations

7.2 Co-op Housing Models in Denmark

Denmark co-operative housing is made up of two main types: (1) an equity model consisting of privately-owned co-operative housing that makes up 7.4% of the housing stock, and (2) a non-equity model consisting of social housing (either run by non-profit housing associations or municipally owned) that makes up 20.2% of Denmark's housing stock. Both of these models operate on co-operative principles.

Private co-operative housing

Denmark's equity co-operative housing or *Andelsbolig* is viewed as a middle-ground option between expensive homeownership and state-subsidized social housing. It is seen as an affordable alternative to traditional private homeownership. Share prices are regulated by law. Technically, no property is purchased when a co-operative share is bought, but the share entitles the owner to the use of a specific unit in the association and the combined amenities of the co-op association which can include green spaces, laundry facilities, work and special function spaces, and even apartments for guests. The Copenhagen Metropolitan Area (Region Hovedstaden) has by far the largest share (67%) of Denmark's privately-owned co-operative housing.

Nearly one-third of the country's private co-operative housing stock was built after 1980 due in part to availability of government subsidies. Over one-fifth of this stock was constructed with the help of government subsidies offered between 1980 and 2004. Housing stock is varied in architectural style

and density; average apartment sizes are modest: around 872 square feet; less than 10% are larger than 1,180 square feet.

Denmark has a national non-profit private co-operative organization, the Danish Association of Private Co-operative Housing (ABF). It has two main purposes: to influence policy makers to develop favourable legislation for co-operative housing and to serve the daily needs of its approximately 5,000 co-op associations and over 100,000 members throughout Denmark (representing approximately 50% of the nation's co-operative housing).

Co-operative Social Housing

Denmark's other co-operative model is found in its social housing sector, and one in five Danes rents with social housing. This model is found all over Denmark; the Copenhagen Metropolitan Area has 37% of the country's social housing stock. Its architecture has a variety of densities often depending on the decade in which it was built. The large, multi-storied, concrete buildings that were built in the 1960s and 1970s had as many as two thousand units. Stock built in later years tends to be low-rise, dense estates. Very little stock is single-family dwellings. Most social housing estates have no less than 50 units. Living spaces are typically modest; the average floor area is 764 square feet.

Responsibilities for social housing were decentralized to the municipalities in the 1990s. Municipalities play a strong role in the oversight of the sector, deciding on construction and working with social housing associations. Social housing is part of local urban development. Social housing in Denmark is strictly regulated from financing to the size of each apartment, from how much can be spent on construction, to what activities can be engaged in by housing associations. As a result of their involvement, municipalities have allocation rights to at least 25% of vacant social housing dwellings (in Copenhagen, it is at least 33%).

Getting into social housing is not dependent on income. Candidates must register and be put on a housing association's waiting list. Years-long waits are common in popular areas like Copenhagen or Aarhus (e.g., 15 to 25 years), and housing is allocated on wait-list seniority. However, there are cases where agreements with housing associations have given municipalities up to 100% allocation rights for certain housing estates to help create a more diverse social mix (e.g., giving priority to students or people with jobs).

The National Federation of Danish Housing Associations (BL), founded in 1919, oversees nearly all of Denmark's social housing. Its non-profit member organizations manage housing portfolios ranging in size from 100 to 30,000 units. They are an umbrella organization for social housing and operate on the principles of tenant democracy with elected members representing members' interests. They also work to represent members' interests by lobbying government.

7.3 Evolution of Co-op Housing

Co-operative housing arose following the first agricultural, dairy and farming co-ops in the 19th century, with the first "social housing" project being built outside of Copenhagen in 1857. In 1887, the first housing co-operatives were built with government loans. Unregulated practices led to increased speculation and only about 1,000 such co-op dwellings survived into the 20th century.

The first co-operative housing associations formed around 1912, and the co-operative movement gained popularity in reaction to an unstable private rental market at the turn of the century. The government continued to provide subsidies to non-profit housing between the World Wars and imposed strict regulations in 1933 and 1938 for the development of housing co-operatives and social housing.

After 1945, social housing became a pillar of Danish housing policy. As the co-operative equity model was not particularly favoured by political policy setters, it had limited government endorsement, and this model accounted for only 1% to 2% of housing stock in the post-war years until 1980.

Private Co-operative Housing

Growth in equity co-op housing was greatly influenced by a 1975 parliamentary ruling that affected the sale of private rental housing: a pre-condition of sale was to offer the housing first to the sitting tenants. Rental property could thus be converted to a co-operative association if the majority of residents agreed.⁹ As a result of this ruling, considerable private rental stock was converted to co-operative stock. The cost share for purchase was a deposit equal to 20% of the overall investment value. Another impetus to the growth of the equity co-op housing sector was government subsidy support for new construction, which took the form of loans for up to 80% of the value and offered excellent finance terms. Consequently, 186,000 co-operative units were constructed. By 1990, private co-operative units made up 5% of the total housing stock. Today, this co-operative housing stock is in relatively good condition and the sector is slowly growing.

Co-operative Social Housing

Denmark experienced a house-building boom between 1966 and 1975, which included large social housing complexes, still some of the largest and best equipped ever built. But these were in suburban areas (peripheral communities) not well liked by the population and thus, difficult to rent. The growing desire for homeownership, and favourable tax breaks for homeowners meant couples could afford to become owners of single-family homes. Social housing developed the reputation of being a less desirable form of tenure. High vacancy rates outside urban areas, slipping building conditions, and social issues troubled this sector into the 1980s and later decades. The situation was ameliorated to some extent by government initiatives. The social housing sector has been the tool to help regulate the housing sector in adverse economic times when demand for social housing increases.

7.4 Overview of Legislation, Policies, or Regulations for Co-op Housing

Private co-operative housing law (*Andelsboligloven*)

Co-operative associations became regulated as of 1979. The laws concerning housing co-operatives are found in Chapter II (Cooperative Housing Associations) under the Residential Property Associations and Other Housing Communities Act, Number 960, issued September 19, 2006. The law covers regulations on the forming of associations, the transference of shares, and how pricing of shares are determined.

⁹ Currently, the law requires at least one-third of the tenants to become members of the newly formed housing co-operative.

A co-op share may be sold upon approval from the co-op's board of directors. The bylaws of the co-operative will set out rules of transference but typically, "internal transfer" is extended first to other members of the association, then to close family. After this, preference is given to candidates on an external wait list on a first-in-line basis. The transaction for the transferred share is handled by the co-operative association. The price set for the share (the *Andelskronen*) is also (by parliamentary law) subject to approval by the board. If a member leaves a co-operative, the member has no right to any share of the co-operative's assets.

Private co-operative housing units can be rented out, in whole or in part, by the resident for periods of up to two years. There are a number of accepted reasons for subletting, but any subletting is subject to local board approval.

The valuation of a share can be determined in one of three ways: (1) it can be valued on the original purchase price, (2) its value can be based on a public valuation of the property, or (3) the value can be determined by an appraiser's assessment (i.e., a real estate agent) of its market price.

In Denmark, members have limited liability for the co-operative's debt. If an association goes bankrupt, a member's share could be used to pay outstanding debt. Reviewing the financial records to determine the health of a housing co-operative association prior to purchase is very important.

Breaching the contractual obligations of the co-operative can result in expulsion, but the co-operative also has contractual obligations to uphold towards its members. Danish co-operative law is mostly non-statutory, so the financial rights and organizational rights of Danish co-op members are predominantly contingent on what is outlined in the bylaws of the co-operative.

Co-operative Social Housing Law

The regulatory framework for social housing is found in two main acts: the Act on Social Housing (*Almenboligloven*) and Subsidized Private Co-operative Housing, etc.; and the Act on the Rent of Social Dwellings, as well as a number of executive orders which fall under the Danish Housing Act.

Social housing is run on three pillars:

- Rents are based on a "rent balance" principle where the total rent collected by a housing estate must always be enough to cover the initial capital costs, the operating expenses, and contribute savings for future maintenance.
- The value of 'Tenant Democracy' is promoted and upheld wherein the individual housing estates are run by a governing board elected by the tenants. Rent increases are negotiated by the tenants who can determine what to pay for beyond operational costs (i.e., renovations, upgrades).
- A stable financial model (the Revolving Renovation Fund) is applied to social housing which includes government subsidies for new construction. The operational costs of the Fund are covered by tenant rents.

A person signs up on a social housing waiting list in order to register for social housing. Registration can begin as early as age 15; one can sign up one's children for a future spot. There is a nominal fee to register and an annual fee to maintain the registration. Priority on waiting lists is given to (a) the

elderly and disabled, (b) current residents of social housing who have right of advancement, (c) families with children, and (d) for emergency temporary sheltering. In 2001, municipalities were given the right to override waiting lists in order to place “desirable” citizens (people with jobs or students) in housing estates with high proportions of vulnerable populations (high levels of unemployed or immigrants; those with criminal records, lower education or income levels). This so-called “flexible letting” is used to create a better socio-economic mix of tenants in housing estates where segregation was occurring (caused in some cases by placing the most economically-needy social housing tenants into the estates with the least expensive rents).

Once a social housing unit is procured, the resident may remain in social housing for as long as they wish regardless of change in income or family status, provided the rent and other tenancy conditions are met. Social housing can be rented out, in whole or in part, by the resident for periods of up to two years. There are a number of accepted reasons for subletting but any subletting is subject to local board approval.

Denmark has a well-structured funding model for social housing managed by The National Building Fund or Revolving Renovation Fund (*Landsbyggefonden* (LBF)). It is an independent investment company set up by law in 1966 by the government with input from the National Federation of Non-Profit Housing Companies (BL).

The sector is subsidized through tax exemptions, and the financing structure for new social housing construction is as follows:

- a government loan for 88% of the cost of the project is taken out by the non-profit association (typically a 30-year fixed-interest nominal mortgage paid by the monthly rents of tenants);
- a 10% interest-free loan is provided (and guaranteed) by the municipality on the base capital;
- and 2% of the funds comes from tenant deposits.

According to the financing scheme and the Revolving Renovation Fund, once the mortgage for the social housing association is paid back, rents are not reduced, rather the money goes into one of three different co-operative funds (allocation proportions depending on a number of variables): (1) the Disposition Fund (*Dispositionsfond*) – a building fund to be used by the individual housing association for improvements, conversions and rebuilding; (2) the National Building Fund (*Landsbyggefonden*) for helping housing estates in crisis and for social development plans (including new construction); and (3) the New Construction Fund (*Nybyggerifonden*) – a fund specifically for new social housing construction. Making social housing self-financing has been a long-term objective of the government. By applying this scheme, it “is projected to replace the government subsidies to the social housing sector.”

Some recent policies for social housing of note are:

The 2005 Ghetto Policy

Over several decades, overrepresentation of marginal social groups was prevalent in social housing estates in 17 municipalities, including Copenhagen. The problem was particularly acute in large estates where socio-economic factors were isolating residents from surrounding Danish society and retarding integration. Estates were detrimentally impacting the surrounding community as well. Strategies to address these issues included the demolition of old and construction of new housing estates; job preparation skill-building; employment monitoring as criteria to receive welfare

benefits; Danish language skill-building for children and a number of other initiatives including further allocation rights by municipalities (e.g. the right to refuse housing in certain housing estates to someone on social benefits). The problem has been ameliorated in areas like Copenhagen but is still an ongoing issue in other parts of the country.

The 2010 Target- and Agreement-Based Scenario Policy

A new policy establishing a framework to foster better communication and collaboration between municipalities and housing associations was initiated. It allows for more flexible and adaptable planning based on local housing markets and needs, and aims to equip housing estates with better evaluator tools like management audits and better quality-control measures to improve self-evaluation. Annual meetings between local municipal councils and associations are required, as well as annual reporting of housing associations on their activities to the local council. Municipalities are bound to report the management dialogue publicly on their websites. It also allows for municipal authority to step in to guide, when necessary, the operations of the association if warranted.

A new policy has recently been enacted which allows for an increased funding portion from municipalities (up to 25%) for new social housing development. It gives non-profit housing associations increased access to build in the more expensive urban areas. Copenhagen is committing to increasing its social housing stock by at least 20%.

7.5 Financial Facts

Private co-operative housing

Each resident is an indirect owner purchasing a share of the co-operative and making monthly payments (referred to as “rent” in Denmark) to the association to cover maintenance, running costs and any joint mortgage debt. It is up to the co-op to have a reserve fund, the size of which is decided upon by all members. The average annual cost in 2007 (latest available data) for living in a co-op was between DKK 40,000-60,000 for an 870-square foot apartment: about \$675 to \$1,000 a month.

As mentioned previously, the valuation of a share can be determined in one of three ways: it can be valued on the original purchase price; it can be based on a public valuation of the property; or based on an appraiser’s (i.e., a real estate agent) assessment of its market price. In 2007, distribution of choice of method was 21%, 54% and 20%, respectively.

Choosing the first method (purchase price) works well for people who intend to remain in co-operative housing and who uphold traditional co-operative principles of not-for-profit. Associations with high proportions of elderly residents operate in this manner, making it more affordable for those in their senior years to move into co-operative housing.

Residents generally choose the latter valuation option where an appraiser values the property based on market prices, when they are concerned about profiting in order to move into a more expensive form of housing. This does, unfortunately, limit buyers with less means.

The option of using a public valuation, a popular method, may be chosen in co-operatives where there are mixed social groups and a compromise is required to bring consensus to differing views by its members (e.g., adherence to traditional co-operative principles pitted against market profiting).



Although there has been some concern that valuations of co-operative housing have been overestimating the value in recent years, for most housing co-operatives it has not resulted in overly high debt loads or insolvency. In a study¹⁰ by RealKredit Danske (a subsidiary of Danske Bank Group) where the 2012 financial health of 3,000 housing co-operatives in Denmark was reviewed, only 9 out of 100 co-operative housing associations had debts exceeding the value of their assets. It also appeared that the housing co-operatives in trouble were newer builds from the early 2000s when share values were high and perhaps too high for resale once the market deteriorated after 2008. In general, however, it can be said that most housing co-operatives are in relatively good financial health.

In 2007, share prices averaged 70% of the value of a similar owner-occupied dwelling. More recently, increased market-based valuations are bringing co-op share prices more in line with market prices for similar owner-occupied dwellings.

Co-operative housing associations are not subject to income tax, property tax or capital gains tax. They do pay land tax to the municipality (0.6%-2.4% of assessed land value) and to the county (1% land tax) based on 2006 numbers. Private co-operative dwellers are not eligible for housing allowances.

No information on the leveraging of properties to finance new co-operatives by private co-operative associations was found. The bulk of monthly payments are amortization and interest costs. “Surplus” monthly payments went for operational expenses and maintenance with larger projects carried out once loans were at manageable or nonexistent levels.

Co-operative Social Housing

As mentioned, tenants pay rent on a balance-based cost principle to ensure coverage of the housing estate’s costs. The rent fluctuates every year depending on operating, maintenance and administrative costs. As well, the tenant contributes to paying off the mortgage and to the Revolving Renovation Fund.

Social rents are usually lower than rents in the private rental sector. The government makes available rent allowances for pensioners and rent subsidies for non-pensioners to help cover rental costs. The amount of subsidy/allowance is based on the size of the living space, the number of people living in the dwelling, income level and the rent amount.

Social housing associations are not subject to income tax or property tax. They pay the same land tax as outlined for private co-op housing.

7.6 Challenges Facing Co-op Housing

Private Co-operative Housing

The private co-operative market is a very closed market and difficult for new owners to enter, especially newcomers. Accessing housing is based on social and familial connections and unregulated waiting lists.

¹⁰ <http://www.rd.dk/PDF/Om%20os/Analyser/2013/Stabil-gaeldsudvikling-paa-andelsboligmarkedet.pdf>, accessed January 8, 2018



In private co-operative housing, the tenure has an inherent conflict between the individual's interests and the association's collective interests. The literature on co-operative housing suggests that the balance between the two has been shifting over the last 10 years to more individualistic and market-driven thinking.

Choosing appraiser valuations over the other two valuations (original purchased price and public valuations) is on the rise. A recent survey of over 488 co-operative associations in Copenhagen done on behalf of *Politiken*¹¹ (a leading Danish daily-published newspaper) showed that in 2012, 135 of the associations used an appraiser for a market valuation, but by 2016 that number had increased to 257 (over half). This type of valuation makes it difficult to keep co-operative housing affordable, and will make it increasingly difficult for first-time buyers, single-income households and newcomers to enter the housing market.

Not all people buying co-operative housing are viewing it as a place to live long-term. The trend is for co-operative housing to be treated as a stepping stone to better housing, not a lifestyle. People are viewing themselves less as a shareholder of a community ideal and more as a "commodity shareholder" of an investment. This trend is seen more among young people than among their older counterparts in co-operative housing.

Younger co-op dwellers are also not as invested in co-operative principles of community and shared, participatory work as were other generations and supporters of co-operative housing. Reduced involvement in co-operative operations and its society has resulted in the introduction of financial incentives¹² and penalties as a means to encourage community participation. As opportunity is given to buy out of community participation¹³, an erosion of co-operative ideals occurs from within the co-operative movement itself. "Chequebook" participation has been said to represent modern association behaviour in the Scandinavian countries. Lack of participation has also been evidenced in an increased use of proxy or "power of attorney" participation at general meetings.

Co-operative Social Housing

Recent 2015 subsidy cutbacks, including rent subsidies for pensioners and for people with disabilities, have made housing more expensive for social housing residents.

Social housing has varied rents depending on an estate's building cost which change depending on the year when the estate was constructed (i.e., older buildings can be significantly cheaper than newly-constructed buildings). The "at cost" rent might be so great that it exceeds private rental levels.

Availability of social housing is not uniform, varying between rural and urban areas. As evidenced by very long waiting lists, more social housing is needed in the more densely populated areas of the

¹¹ Hamilton, Ben. The Copenhagen Post, with weekly circulation, is Denmark's only English-language newspaper. Found online at <http://cphpost.dk/news/co-operative-housing-market-impossible-to-navigate-as-some-prices-quintuple-in-five-years.html>, (July 6th, 2017), accessed January 15, 2018

¹² For example, a resident member being paid to be a board member.

¹³ For example, extra service and maintenance costs are being written into monthly co-op expenditures so that community participatory jobs are now being done by hired third parties.



country. In other parts of the country, where affordable housing stock is still available for purchase, co-op social housing is facing vacancies. High vacancy rates create financial burdens for housing estates. Housing associations can own new and old buildings but, due to the “at cost” or “balanced” rent structure, they are not permitted to transfer funds from estates that are doing well to estates that are in difficulty.

According to Eurostat, in 2015, over 14% of Denmark’s population spent more than 40% of their disposable income (total household income after tax/other deductions) on housing.¹⁴ Denmark has seen increasing demand being placed on its social housing sector by immigrant and ethnic minority households.

Social housing’s image as a place for the weak, disadvantaged, and marginalized groups has been an ongoing issue for many years. In areas like Copenhagen, social housing may be the only affordable housing choice where prospects for affordable housing is limited even for households of better economic means. In areas of the country where housing affordability is less acute, social housing is in danger of being underutilized or viewed as a stopgap measure, where people leave to move to better housing once their economic circumstances improve.

7.7 Innovative Strategies for Overcoming Challenges

No innovative strategies for private co-operative housing were found during this research. The Andel housing model was first established as a non-speculative affordable housing model. It can still be found functioning in this manner where its members make the decision to uphold affordability. Due to share valuation changes in recent years, market influences are affecting the prices of co-operative shares in an increasing number of cases. How far this will go and what action, if any, will be taken in terms of housing policy remains to be seen.

In Denmark’s co-operative social housing sector, the strategy for dealing with higher construction costs and long waiting lists in larger urban centres has been the provision of new grant monies. These grants were made available in 2016 to Denmark’s municipalities and are to aid construction of *small* social housing units (under 592 square feet). Over half of Denmark’s municipalities have applied and received grant funding. Canada’s larger centres might also want to consider implementing a trend to smaller units so that more individuals could be housed at lower cost in areas where space is at a premium.

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The entry for KAB – How Cooperative Housing Works in Denmark on the stories.coop website, <http://stories.coop/stories/kab-how-cooperative-housing-works-in-denmark/>, accessed October 25, 2017



SECTION 8: GERMANY

8.1 Quick Facts about Germany and its Co-operative Housing Sector

Population (2016):	82,300,000
Total housing stock	41,700,000 dwellings
Total co-op housing stock:	2,160,000 dwellings, = 5.2% of total housing stock and approximately 10% of total rental housing stock
Number of co-op dwellers:	4.6 million (2010 data) = 5.6% of the population
Purpose of co-op housing:	Helping members of the co-op realize their goal of stable, reasonably-priced housing
Key agencies involved:	Government: Bundesministerium für Umwelt, Naturschutz, Bau und Reaktorsicherheit (Federal Ministry for Environment, Protection of Nature, Building, and Reactor Safety) NGO: GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V (Federal Association of German Housing and Real Estate Companies)

8.2 Co-op Housing Models in Germany

Co-operative housing in Germany began in the 19th century, inspired by developments in the United Kingdom. It is interesting that a co-operative housing movement began prior to Germany actually becoming a nation. As is the case for all co-operative societies in Germany, what distinguishes these organizations from other businesses is member-promotion – their object of furthering and supporting their members in their quest for reasonably-priced and stable housing.

There were originally two kinds of housing co-operatives in Germany: (1) a homeownership housing model, the first of which was founded in 1862, and later (2) a rental co-op housing model, first founded in 1885. Initially, the co-operative movement was hampered by the fact that co-op members were liable when their co-op experienced financial difficulties. This problem was addressed by the Co-operative Act of 1889, leading to the formation of many new housing co-ops.

There was a surge in co-op development after both World Wars; the period after the Second World War saw the greatest increase, owing to the severe post-war housing shortage. It has been noted that “Germany built more houses, more quickly, than any other country” in the period during this period.

As Germany was a divided country after 1945, co-op housing developed differently in the East and the West, although in both countries, government involvement and financial investment were significant factors in allowing housing co-operatives to flourish. In the West, government financial assistance began to decline in the mid-1980s. Housing co-ops in the East received an influx of government monies during the ten years after reunification, which were mostly used for the maintenance and restoration of properties. To this day there are differences between the housing co-operatives in the former West and East. Co-ops in the East tend to be larger and face different challenges than do those in the West.



The model currently in place in Germany is that of a rental housing co-operative, where an individual must become a member in order to live in the co-op. Although the amount for membership varies from co-op to co-op (one source gives a range from €250 to €3,000), it is usually comparable to what one would pay as a security deposit in a rental situation. Co-op members enjoy security of tenure as long as they pay their rent and comply with the co-op's occupancy rules. The co-op is limited in how much it can increase rents. Co-ops are non-profit entities and the members of the co-op decide how surplus funds are used. Some of the co-ops in Germany also have non-resident members or investors. These individuals (or larger legal entities) put money into the co-op for modest dividends (usually around 4%). They may attend meetings at which decisions regarding the operation of the co-op are discussed and voted upon by resident members, but in most cases they are not able to vote.

Housing co-operatives seem to be doing very well in Germany. In July 2017 on the occasion of International Co-operative Day, Axel Gedashko, the president of the GdW, stated that "housing co-operatives belong to the most successful and at the same time most stable of business structures in Germany. The co-operative business model – rich in tradition – has proven itself to be sustainable and is more modern than ever. The fiscal stability of this form of organization is, especially in the present time, an invaluable quality, which it is important to preserve."¹⁵ Indeed, housing co-ops in Germany are no longer in need of government subsidies or other financial assistance. But although the government no longer supports co-ops financially, it has a high regard for this form of housing, viewing it as the "third pillar" of housing in the country. The government's commitment to housing co-ops is reflected in the commissioning of an expert panel review, which was completed in 2004 and which made a number of recommendations.

8.3 Evolution of Co-op Housing

It seems that whereas housing co-operatives in Germany began as social housing, they are no longer officially viewed as such. A number of them are working to help seniors age in place, to help students find affordable housing, or to help immigrants integrate into Germany society, but these efforts are neither mandated nor financed by the government. However, it should be noted that the 2006 amendment to the co-op law has allowed for a broadening of a co-op's objectives "to include the promotion of social and cultural aspirations of the members."

As long as housing providers (including housing co-operatives) were receiving government subsidies (as was the case up until the 1980s in West Germany, and the end of the 1990s in former East Germany), they were required to provide a certain number of low-cost units to the nation's poor. Once the subsidies (usually in the form of low-interest mortgages) had been paid back, however, this requirement was no longer in effect and many, if not most, co-ops ceased to function as social housing.

Today, housing co-ops in Germany tend to be large, with an average membership of 1,100. Some concern has been expressed over mergers that have resulted in ever larger co-ops. Recent changes

¹⁵ "Die Wohnungsgenossenschaften gehören zu den erfolgreichsten und zugleich stabilsten Unternehmensformen in Deutschland", erklärte Axel Gedaschko, Präsident des Spitzenverbandes der Wohnungswirtschaft GdW, anlässlich des Internationalen Tages der Genossenschaften (International Co-operative Day). "Das traditionsreiche genossenschaftliche Geschäftsmodell hat sich als nachhaltig erwiesen und ist moderner denn je. Die Insolvenzfestigkeit dieser Rechtsform, ist gerade in der heutigen Zeit ein unschätzbare Wert, den es zu erhalten gilt." (translation by Sharon Krebs)

to co-operative law (see Section 8.4 below) have made it easier for people to form and operate small co-ops.

8.4 Overview of Legislation, Policies, or Regulations for Co-op Housing

There is a long history of legislative tools for co-operative housing in Germany, with the first Co-operative Act being adopted in 1889. It is important to note that the laws governing housing co-ops are those that govern the operation of *all* co-ops in the country; there are no special requirements for *housing* co-ops. The primary objectives of the 1889 Act were to limit the liability of co-op members in the event of a financial collapse of the co-op, and to require an annual audit. Subsequent amendments to the law have been undertaken to bring the operations of co-ops in line with those of other businesses, resulting in a complicated legal apparatus that was more relevant to large co-ops. Some legal experts have expressed concern that past revisions to co-op law do not allow enough flexibility and autonomy for co-ops to adopt bylaws specific to their individual needs. Unlike some other European countries, which have had special laws for small co-ops for years, Germany did not make distinctions based on co-op size until the amendment of the law in 2006. The new law makes it easier to form a co-op, includes special provisions to enable the formation of small co-ops, and has reduced the bureaucratic red tape for small co-ops. Overall, the opinion is that the co-operative business model has been made more attractive.¹⁶

Nevertheless, there are still a number of legal requirements to be met in the formation of a new co-operative society, including a pre-registration audit by a co-operative auditing federation. Critics of this requirement say that it is both generally and financially burdensome to new co-operative societies. The national housing federation (GdW), however, feels that these audits are necessary because they ensure that the new society is building on solid ground and will be successful.

For almost fifty years (i.e., between 1940 and 1990), social housing companies (including co-ops) were required to operate solely for the public good, and to charge rents that were at cost rather than at market rates. Furthermore, they were required to have an ongoing program for the building of new units. With the loss of government subsidies, this requirement became more and more onerous. In 1990 after a huge scandal involving the largest social housing company in Germany, the legal benefits of non-profit status were abolished. This move generated much concern about the future of social housing. Housing co-operatives, however, continue to operate under non-profit principles.

Registered co-operatives must report to the auditing federation with which they are affiliated, to the municipal court where the co-op is registered, and to the fiscal authorities. If a co-operative is liquidated, the remaining members decide what happens to the leftover capital. If it is not given to another non-profit organization, then it must go to the community in which the co-op is registered and be used for the common good.

¹⁶ It is noteworthy that the 2006 changes to co-op law resulted from the 2004 recommendations of the expert review panel (Bericht der Expertenkommission Wohnungsgenossenschaften). The German government is to be commended not only for commissioning the review, but acting upon its outcomes in a timely manner.

8.5 Financial Facts

There are three sources of capital for housing co-operatives in Germany: member contributions (membership fees and rental fees), reserves, and borrowed capital. German housing co-ops are able to take out mortgages to increase the capital at their command.

There appears to be no limit on how large the reserve fund can be. Since 1973, co-ops are permitted to separate their reserve into different pots of money, one of which might be a fund from which departing members withdraw their membership fees. This option does not appear to be in frequent use, but it is permitted. Another quirk of the German system is that a housing co-operative has two years in which to refund the membership fee after an individual leaves the co-op, something that housing co-ops tend to exploit. For departing members who do not have a great deal of capital, this can mean that they are unable to join another co-op, or even to pay the security deposit in a regular rental situation.

The following taxes apply to all housing businesses in Germany:

- corporate tax (*Körperschaftsteuer*) – 15% of taxable income
- business tax (*Gewerbesteuer*) – 3.5%
- income tax (*Umsatzsteuer*) – from 7% to 19%
- property acquisition tax (*Grunderwerbsteuer*) – from 3.5% to 6.5%
- property tax (*Grundsteuer*) – calculated by multiplying the unit value of the property by the basic federal rate of 3.5% by the municipal rate of assessment (which varies from city to city)
- flat rate withholding tax on capital gains (*Abgeltungssteuer auf Kapitalerträge*) – 25 %, plus a 5.5% solidarity surcharge, and possibly a church tax of 8% or 9%; however, dividends falling below 801 Euro per person (1,602 for a couple) are exempt from this tax

Rental housing co-operatives are given relief from the first two of these (corporate tax and business tax), *provided* that they comply with the following¹⁷:

1. That they build or acquire housing units and provide them to their members via a rental contract or a co-operative use and occupation contract;
2. That in association with the above, they build communal areas or related facilities that are primarily for the use of their members and are necessary to the operation of the co-op.

This relief represents the only federal financial assistance available to housing co-ops. The GdW has issued a statement about the last tax on the above list, saying: “Even the so-called flat rate withholding tax on capital gains does not play an insignificant role – most particularly with respect to the payment of dividends and/or interest to their members by housing co-operatives.”¹⁸

¹⁷ “Voraussetzung für die Steuerbefreiung ist, dass die Genossenschaften: - Wohnungen herstellen oder erwerben und sie den Mitgliedern aufgrund eines Mietvertrags oder genossenschaftlichen Nutzungsvertrags zum Gebrauch überlassen, - im Zusammenhang mit diesen Tätigkeiten Gemeinschaftsanlagen oder Folgeeinrichtungen herstellen oder erwerben und sie betreiben, wenn sie überwiegend für Mitglieder bestimmt sind und der Betrieb durch die Genossenschaft notwendig ist (sog. begünstigte Tätigkeiten).” (translated by Sharon Krebs)

¹⁸ “Und selbst die sog. Abgeltungssteuer auf Kapitalerträge spielt eine nicht unwesentliche Rolle – vor allem bei Dividenden- und/oder Zinszahlungen der Wohnungsgenossenschaften (mit Spareinrichtung) an ihre Mitglieder.” (translated by Sharon Krebs)



8.6 Challenges Facing Co-op Housing

Several challenges have been identified for German housing co-operatives, some of which vary according to location.

Not surprisingly, in the major centres (for example, Berlin or Munich), it is extremely difficult to get a residence in a co-op; long waiting lists are the norm. In order to increase their chances of actually getting a place to live, some individuals become members of several different co-ops and are thus on several different waiting lists. Once they have achieved residency, they relinquish their membership in the other co-ops and get back their membership fee. While at first glance this may seem like foolishly tying up one's money, co-ops actually pay slightly better interest than banks, so investing in co-op memberships can be viewed as a savings plan. Unfortunately, however, the strategy of using multiple co-op memberships to ensure quicker access to a unit is only available to individuals with adequate funds. Thus, in large cities, a lack of personal capital can be a formidable barrier to being able to live in a co-op. The challenge in large centres, then, is a lack of stock. Building new co-operative housing is imperative, but that undertaking brings the challenge of finding the money to do so in the absence of government subsidies.

But not only in the major centres is the building of new housing co-operatives a challenge; the problem is evident throughout Germany, although it is a bigger problem in the former West German provinces.

Currently there are more housing co-operatives in the former East German provinces than in those of former West Germany. However, housing co-ops in the East are wrestling with vacancy rates as the trend of moving from the east to the west continues. For these housing co-operatives, the challenge lies in marketing, that is, in the attraction of new members so that occupancy rates remain high. This challenge was identified in the expert panel review of 2004. In an interview, Prof. Münkner stated that, at his university, there had been a number of professors who had made a point of training students to market housing co-operatives. Unfortunately, no formal studies were undertaken to determine the effectiveness of this training (although, based on informal feedback, he believes it was effective). More serious, though, is the fact that upon the retirement of these professors, this training ceased.

8.7 Innovative Strategies for Overcoming Challenges

Two interesting strategies for overcoming challenges to co-operative housing were found during this review. Their effectiveness will be explored by looking at two specific housing co-ops: Wohngenossenschaft Dessau eG in former East Germany, and Spar- und Bauverein eG Dortmund in former West Germany.

Marketing Co-operative Housing

In 2009, a Master's student at the Hochschule Anhalt (Fachbereich Wirtschaft, Studiengang Immobilienwirtschaft) wrote a thesis in which she developed a marketing strategy for a specific housing co-op (Wohngenossenschaft Dessau eG). She worked collaboratively with the co-op to explore various marketing options (both in terms of content and medium for dispersing the content). This thesis arose in response to the recommendation of the expert panel review of 2004, citing the importance of making people aware of the benefits of co-op housing. Partnering with a



“real-life” co-op would result in a marketing plan that was eminently relevant and could be put into action. And indeed, the Dessau co-op, with an inventory of around 4,000 units, appears to be doing well, since it has just completed a new building and has another one under construction.

It might be worth exploring partnerships between students and housing co-operatives in Canada to enhance marketing. In Canada’s large cities, it might also be possible to encourage students in relevant fields to develop innovative models for new housing co-operatives that could come into being amidst the challenges of land availability and high costs.

Housing co-operatives as savings institutions

As mentioned in Section 8.6 above, holding multiple co-op memberships can be viewed as a savings plan and in Germany a small number of co-ops (approximately 48 of them) have capitalized on this possibility by actually having their own savings banks. Both resident members and outsiders may invest money in the co-op and earn interest at a rate that is better than a bank account, but less than what co-ops would have to pay a bank if they took out a mortgage or a loan. Co-op savings banks operate in the space between those two interest rates. To avoid big investors destroying the democracy of a co-op or even staging a takeover of the co-op, people who put their money into the co-op’s savings institution do not have voting power in decisions affecting the management of the co-op. They may attend meetings, but they may not vote. The resident members of the co-operative may also invest, allowing them to earn interest on their savings while contributing to the working capital of their housing co-operative. To be sure, this model is not without its challenges. It requires staff members who are not only knowledgeable about and well-trained in financial matters, but also ethical. In order for the co-op savings institution model to work, the administrative costs of running the savings institution must be small enough to make it worthwhile. It is therefore not surprising that only very large housing co-operatives are able to take advantage of this opportunity.

The Spar- und Bauverein in the city of Dortmund, for example, with an inventory of around 12,000 units and an even higher number of members, has developed a sophisticated savings institution. It is worth taking a closer look at the Dortmund model, for it is obviously extremely successful. This particular housing co-op is always seeking to increase its housing stock, and currently has three new buildings under construction.

As a savings institution, the co-op offers seven different packages, all of which seem to have no fees (“*keine Kosten*”). The simplest savings account may be opened with a minimum amount of €1, while another requires long-term commitment and minimum investment of €5,000. Interest is paid at the end of every calendar year, and there are limits as to how much may be withdrawn each month. Interest rates vary. There is even a junior account option for children living in the co-op. Furthermore, each baby born to a resident member receives a savings bank book with a starting balance of €20, courtesy of the co-op.

As well as this model seems to work in Germany, it would likely be difficult to implement in Canada. It requires very large housing co-operatives. It may be possible, however, to explore the possibility of a partnership between a housing co-op and a financial institution that is itself a co-op, since helping other co-ops is one of the principles of co-operative activity. If one-to-one partnerships are not feasible, it might be possible to set up a partnership on a provincial or even national level to achieve some economies of scale.



8.8 Supporting Documents

The following sources were accessed and reviewed in preparing the profile of Germany:

The entry for Germany on the Co-operative Housing International website
<http://www.housinginternational.coop/co-ops/germany/>, accessed October 26, 2017

Bericht der Expertenkommission Wohnungsgenossenschaften (condensed version of the report prepared by the federal government's Expert Commission on Co-operative Housing)
http://www.bmub.bund.de/fileadmin/Daten_BMU/Download_PDF/Wohnungswirtschaft/kommission_wohnungsgenossenschaften_bericht_zusammenfassung_bf.pdf, accessed October 26, 2017

Federal government information about the legislation for co-operative housing
<http://www.bmub.bund.de/themen/stadt-wohnen/wohnungswirtschaft/genossenschaftlich-wohnen/genossenschaftlich-wohnen-in-deutschland/>, accessed October 26, 2017

Interview with the leading expert on co-operative housing in Germany, Prof. Dr. Hans-H. Münkner:
<https://www.youtube.com/watch?v=jgF9jF3Ttlw>, accessed October 26, 2017

German website of frequently asked questions about co-operatives: <https://www.wg-gesucht.de/artikel/das-abc-der-wohnungsgenossenschaften-fragen-und-antworten>, accessed October 30, 2016

An example of a large co-op that also functions as a savings institution: <http://www.sparbau-dortmund.de/sparen/produkte/>, accessed November 13, 2017

The Dessau co-op for which Janet Stojan developed the marketing concept: <http://www.wg-dessau.de/>, accessed December 17, 2017

Information about the taxes applying to German housing co-operatives was provided by email by Antje Große of the GdW on December 21, 2017

Franz-Bernd Große Wilde, "Combination of a Housing Co-operative with a Saving Institution for the Members", PowerPoint presentation for ICA Housing Seminar held in Geneva, Switzerland on November 18, 2008, <http://www.housinginternational.coop/events/ica-housing-seminar-geneva-financing-housing-co-operatives-in-a-credit-crunch/>, accessed October 30, 2017

Hans-H. Münkner, "Chapter 18 Germany", Cracogna, D., Fici, A., & Henrÿ, H. (Eds.). (2013). International handbook of cooperative law. Springer, pp. 413-429

Janet Stojan, Entwicklung eines Marketingkonzeptes für eine Wohnungsgenossenschaft: Mit dem Schwerpunkt Kommunikationspolitik, Diplomarbeit 2009.
https://books.google.ca/books?id=CUpwAQAAQBAJ&pg=PA57&dq=marketing+wohnungsgenossenschaft&hl=en&sa=X&ved=0ahUKEwjD_db235nXAhUBV2MKHR2aBVkQ6AEIMDAB#v=onepage&q=marketing%20wohnungsgenossenschaft&f=false, accessed November 15, 2017



SECTION 9: AUSTRALIA

9.1 Quick Facts about Australia and its Co-operative Housing Sector

Population (2016):	23,401,892
Total housing stock (2016)	8,286,077 dwellings
Total co-op housing stock:	51,068 dwellings, = 0.6 % of total housing stock and approximately 2% of total rental housing stock
Number of co-op dwellers:	132,777 (estimated, based on the Australian average of 2.6 people per household) = 0.6% of the population
Purpose of co-op housing:	To provide non-profit stable and affordable housing to low- to moderate-income households/individuals who are unable to purchase a home, or to afford market rents
Key agencies involved:	Government bodies: National Regulatory System Community Housing (but registration is optional in some states) NGOs: Business Council of Co-operatives and Mutuals (BCCM); Common Equity Housing Limited (CEHL) in the state of Victoria; Common Equity Housing in the state of New South Wales

9.2 Co-op Housing Models in Australia

As shown in the quick facts table above, co-operative housing neither is nor has been a major player in the housing scene in Australia. The general view in the country is that home ownership represents the best way of being housed, and most people aspire to owning their own home.

Nevertheless, the country is not without housing co-operatives. Three models exist:

- The predominant housing co-operative in Australia is the **non-equity model**, in which no capital gain accrues to the resident members. Housing co-operatives operating under this model in Australia supply “at-cost” shelter to their members.
- There is also a very small number of **limited-equity** co-operatives. This model allows for a limited amount of capital gain. The formulas by which this gain is calculated vary.
- A small number of **full-equity** housing co-operatives also exists. The free market determines the value of the dwelling and the owner both benefits from any capital gain and runs the risk of a capital loss. This model is not considered to be “affordable housing.”

Rental housing co-operatives (i.e., the non-equity model) are not present in all states of Australia. There are no known housing co-operatives in the Northern Territory. In the other states, the situation of the housing co-operatives varies. Tasmania, for example, has a very small, stable, but not growing sector. In South Australia and Queensland, housing co-operatives are struggling; a publication of the National Housing Co-operative Network describes the attitude of the government in these two states as “seriously concerning” (please see Section 9.6 below for details). In New South Wales and Western Australia, co-ops also face some barriers. In the state of Victoria, the housing co-operatives are not owned by the government, giving their members more security of tenure and giving them more freedom in terms of how they operate – a situation that is very different from what is seen in the other states. Co-operative housing in Victoria enjoys the most

support from government is Victoria. Not surprisingly, Victoria is also the state with the highest number of housing co-operatives, with just over three-quarters of the total number in the country being located there. Stephen Nash, the managing director of Common Equity Housing Ltd., described the nature of the government support as follows (email from December 20, 2017):

“The support is mainly historic and was provided to CEHL through grants and property transfers. CEHL is one of nine registered Housing Associations and is subject to the same regulations and opportunities that the other Housing Associations have access to. There is no special recognition or support for the co-op housing model – we are seen as one of the group of Housing Associations. There are no ongoing government subsidies to Housing Associations and only occasional capital grants for development or acquisition of housing – which are unpredictable and become highly competitive. The CEHL program really started as a government initiative in the mid-1980s. It came after a few years of trialling an initial co-op housing model which enabled a worker to be employed by each co-op to undertake tenancy management, maintenance, etc. The new approach (Common Equity Rental Co-op model) was created to directly involve tenant-members in the management of their housing, in addition to running their co-op, and this is still the dominant CEHL co-op model today. The reason that CEHL is so large is from the initial stock transfers and success in the competitive process for funding.”

As is evident from the above, co-operative housing in Australia is in competition with all other housing associations and access to funds depends on the tenacity of the co-op association and the quality of the applications its staff writes.

9.3 Evolution of Co-op Housing

In the mid-1800s building societies were established in Australia which functioned as financial societies. They operated under co-operative principles and, by providing financing, enabled low- and moderate-income households to acquire housing. They were “terminating” in nature in that they ceased to exist when all of their members had been housed. Australian building societies continued to operate well past the middle of the 20th century. The word “terminating” led some authors from other countries to assume incorrectly that co-operative housing in Australia suffered “a demise” after these societies no longer existed. While this fact has no direct bearing on co-operative housing as it exists today in Australia, it has been included to alert readers should they encounter such statements in other documents they might read.

Housing co-operatives (as defined in the rest of the world) have a much shorter history in Australia than is the case in the other countries researched for this project, only having existed for approximately 30 years. Co-op housing has faced many challenges in Australia. As mentioned in the previous section, there is a strong perception in the country that owning one's home is the best way of being housed. Home ownership has been described as “the Australian dream.”

Since the co-op sector is still so young, there is not a great deal that can be said about its evolution. Stephen Nash (personal communication, December 13, 2017) has noted that,

“The entire co-op and mutual sector in Australia has been boosted by the creation of the Business Council of Co-operatives and Mutuals (BCCM [<http://bccm.coop/>]) formed after the UN year of the co-operative in 2012. The



BCCM has gained fantastic access to federal government decision makers and processes and has successfully seen a senate inquiry into the contribution of co-operatives and mutuals in the Australian economy.”

9.4 **Overview of Legislation, Policies, or Regulations for Co-op Housing**

For most of its history in Australia, co-operative housing was regulated at the state level. A national law only came into being in 2012, namely the Co-operatives National Law (CNL). Historically, the fact that co-operatives were able to operate only on a state rather than a national level constrained their growth. The new law has remedied that problem, but unfortunately, there does not seem to have been much of an improvement in the *housing* co-operative sector – something that may be explained by the fact that housing is still very much a state matter. According to a document provided by CEHL in the State of Victoria, the housing acts that govern the sector in each state seem to be quite varied both in scope and in date. In Western Australia, for example, the sector operates under the (state) Housing Act of 1980, while in Southern Australia the sector operates under the Community Housing Providers (National Law) (South Australia) Act of 2013. A summary of the information received has been provided in Table 9-1 below.

Table 9-1 Acts Governing Co-operative Housing in Australian States			
	Name of Act	Year	Participating in National Regulatory System for Community Housing?
Western Australia	Housing Act	1980	No
Northern Territory	The Queensland Housing Act	2003, revised 2014 to bring it in line with the National Law	Yes
South Australia	Community Housing Providers (National Law) (South Australia) Act	2013	Yes
Queensland	Housing Act Cooperatives Act	2001 1997	Yes
New South Wales	Housing Act	2001	Yes
Victoria	Housing Act	1983	No
Tasmania	The Community Housing Providers (National Law) Tasmania Act	2013, commencing 2014	Yes

As may be seen from the table above, some states are already modifying their laws to bring them in line with the CNL; this process is ongoing, so that eventually all states will have housing acts or co-operative acts that harmonize with the new national law.



9.5 Financial Facts

Co-operatives in Australia receive preferential tax treatment in that their dividends are tax-free. Other tax deductions also seem to be in place as long as the co-operative provides 90% of its services to user members. One analyst, however, has stated that the special tax treatment is gradually being whittled away as government policy is tending toward preferring investor-owned businesses over co-operative entities.

Government financial support of housing co-operatives is sporadic at best. There are occasional one-off grants that may be available, but they can be highly competitive.

The Board of a co-operative has the right to keep all or part of the surplus from the activities of the preceding year, as long as it can demonstrate that this surplus is “reinvested in accordance with the purposes of the co-operative.” There appear to be no legal requirements as to minimum or maximum amounts held in the reserves; rather, the “rules of the co-operative” determine how large or small the reserves shall be. In the state of Victoria, the CEHL does not provide guidelines as to how large the reserves should be. Instead, the CEHL supports housing co-operatives to have a 10-year rolling plan for maintenance, repairs and upgrades, which take into account a co-op’s finances, properties, and demographics.

Housing co-operatives in Australia do not appear to be leveraging equity for any purpose. The sector is facing challenges in almost all states except Victoria. In most of the other states, leveraging equity is not even an option because (a) the housing providers owning the dwellings are in debt (mostly to the government), or (b) the government itself owns land upon which the co-op is situated.

9.6 Challenges Facing Co-op Housing

As identified in Section 9.1, co-operative housing in Australia makes up only 0.6 % of total housing stock and only approximately 2% of total rental housing stock. The small incidence of co-operative housing stems from a lack of government interest in and support for the model, as well as a lack of understanding of the model and its benefits among Australians at large. As in other countries, the larger centres in Australia are experiencing housing crises. People are being forced to spend more (in some cases, far more) than 30% of their income on housing or are forced to live long distances away from their place of work in order to be able to afford their housing. Co-operative housing could be a very valuable contributor to help address the housing crisis. The challenge lies in raising the profile of the sector both among politicians and the general population in Australia.

Given the very different situations in the states of Australia, it is useful to identify the specific major challenges facing the sector in each state:

Western Australia

Since the sector is small in this state, growth is a challenge. It is also threatened by the government’s position that co-ops must give up the title to their properties in order to be registered as housing providers, thereby compromising the security of tenure for their resident members.

Northern Territory

There are no known housing co-operatives in this state; the sector is non-existent.



South Australia

In this state as well, the sector is small and faces serious challenges to growth. The majority of the properties are debentured to the state government, so that there is no possibility of leveraging equity for improvements or expansions. Furthermore, housing providers are required to make quarterly payments to the state, ranging from \$15 per property per week to \$60 or more per property per week. These payments are higher than in any other Australian state and seriously impair the sector's ability to grow.

Queensland

The sector in this state is also small and is facing the most dire situation in all of Australia. Most housing co-operatives have lost the title to their property and the company that manages them is in serious debt to the government. In the face of a lack of government support for the development of the sector, this housing company is facing some hard decisions – all of which will result in loss of housing security for resident members and loss of housing stock.

New South Wales

The sector in this state is also small. The majority of the houses are on three-year head-leases from the state, a situation that compromises security of tenure for the resident members. The sector is fortunate, however, that an organization to support housing co-ops exists, namely Common Equity Housing. Although not as large as its counterpart in the state of Victoria, it is in a position to grow and eventually to operate similarly.

Victoria

As mentioned above, this state has the largest and most stable co-operative housing sector. Most properties are not owned by the government, so that there is security of tenure for the resident members. The challenge in this state lies in increasing awareness and generating more government support for the sector.

Tasmania

This state has a very small, but stable co-operative housing sector. There is a high level of security of tenure, and the co-ops are not required to make payments to the state. The challenge faced in Tasmania is growth.

9.7 Innovative Strategies for Overcoming Challenges

Like Australia, Canada could embrace the goal of increasing the co-operative housing stock in the country. Stephen Nash wrote:

“The co-op sector is getting more organised and as we generate greater evidence, and expertise in communications and government relations – and get more effective at showcasing co-op housing projects and outcomes – I believe this will create excitement and momentum for change. Governments are looking for solutions to the housing crisis and the looming health and ageing crisis associated with loneliness and market failure and we are well placed to offer solutions.”

Canada could reconnect to viewing co-operative housing as something for low- and moderate-income households, a vision that would be particularly important in the large cities (Montreal, Toronto, Vancouver), where (as is the case in Australia) low- to moderate-income households are currently excluded from or marginalized in the private market.



Two specific strategies emerged from the study of Australia:

Shared surpluses:

In New South Wales, “a new arrangement has been entered into with co-ops to consolidate surplus [funds] in order to grow the housing stock.” Depending on how well housing co-operatives are doing financially, they have accrued smaller and larger surpluses. However, no matter how large an individual co-op’s surplus is, it is not enough to invest in the acquisition of new housing stock. The larger organization (in this case, Common Equity Housing) now receives the surpluses on a “capacity to pay” basis. These funds are then combined and *can* be used to acquire new stock and grow the sector.

Joint ventures with benevolent land owners:

No detail was provided about how “benevolent land owners” were identified and brought on board to participate in co-operative housing, but the idea is intriguing. In Canada, municipalities themselves could function as benevolent land owners and give co-operative projects long-term leases on land for development. It might also be worth exploring planned giving. Apartment owners, for example, might be approached to consider leaving their building(s) as a bequest to the Co-operative Housing Federation of Canada to be converted into housing co-operatives.

The Australian experience underlines the importance of housing co-operatives having an organization that, in addition to working to raise the profile of co-operative housing in the country, actively lobbies for government support, seeking out and obtaining grants and subsidies, and providing advice and resources to individual co-ops. The Co-operative Housing Federation of Canada/Fédération de l’habitation coopérative du Canada should be supported to carry out this function.

9.8 Supporting Documents

The following sources were accessed and reviewed in preparing the profile of Australia:

The entry for Australia on the Co-operative Housing International website

<http://www.housinginternational.coop/co-ops/australia/>, accessed December 27, 2017

Co-operatives National Law (ACT), Act 2017, A2017-8 (Republication No 1, Effective: 1 May 2017)

Co-operatives National Law (ACT), Summary of changes as viewed by the state of Victoria,

<https://www.consumer.vic.gov.au/licensing-and-registration/co-operatives/summary-of-changes-to-the-co-operatives-law>, accessed February 14, 2018

David Michael Bunce, *Housing Cooperatives: The lived experience in an alternative tenure*, Ph.D. thesis submitted to the University of Adelaide, April 2013,

<https://digital.library.adelaide.edu.au/dspace/bitstream/2440/93915/3/02whole.pdf>, accessed November 24, 2017

David Griffiths, *The Phoenix. The SouthEast Housing Co-operative Ltd.*

<http://www.sehc.org.au/index.php/publications/the-phoenix>, accessed December 27, 2017



T. Mazzarol (2015). Purpose, Identity and the Member Value Proposition in Co-operative and Mutual Enterprises. UWA Cooperative Enterprise Research Unit: Perth.

http://www.cemi.com.au/sites/all/publications/CEMI_DP1501_Mazzarol_2015.pdf, accessed November 24, 2017

Melina Morrison, Robyn Cahoun, Stephen Nash, *Rewriting the Australian Dream. Co-operative housing's role in delivering an effective housing system*, submission to the Affordable Housing Working Group, Council on Federal Financial Relations, March 2016.

Stephen Nash, CEO of Common Equity Housing Limited, Melbourne Australia, Skype interview on December 13/14, 2017.

Troy Sarina, "Chapter 8 Australia", Cracogna, D., Fici, A., & Henry, H. (Eds.). (2013). *International handbook of cooperative law*. Springer, pp. 207-229.

Linda Seaborn, *Australian co-operative housing*, statistics about the sector in each State prepared for the National Housing Co-operative Network, October 2017.

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