

BACKGROUND ON CONTINUING HOUSING COOPERATIVES

January 2010

A. WHAT IS A COOPERATIVE?

A cooperative is a democratic organization whose primary purpose is to provide goods and services to its members. It is owned and controlled by the members and operated on a cooperative basis. The Alberta Cooperatives Act SA C 28.1, 2001 defines cooperative basis as follows:

“For the purposes of this Act, a cooperative is organized and operated, and carries on business on a cooperative basis if

- (a) membership is available to persons who can use the services of the cooperative and who are willing and able to accept the responsibilities of and abide by the terms of membership.*
- (b) each member or delegate has only one vote,*
- (c) no member or delegate may vote by proxy*
- (d) interest on any member loan is limited to a maximum rate fixed in the articles;*
- (e) dividends on any membership share are limited to the maximum rate fixed in the articles,*
- (f) to the extent feasible, members provide the capital required by the cooperative,*
- (g) surplus funds rising from the cooperative’s operations are used
 - (i) to develop its business,*
 - (ii) to provide or improve common services to members*
 - (iii) to provide for reserves or the payment of interest on member loans or dividends on shares*
 - (iv) for community welfare or the propagation of cooperative enterprises, or*
 - (v) as a distribution among its members as a patronage return and**
- (h) provides education on the principles of cooperative enterprises.”*

B. CONTINUING HOUSING COOPERATIVES

What is a continuing cooperative?

In a continuing housing cooperative, the cooperative owns the property (land and buildings). Members purchase shares in the cooperative and pay their share of the mortgage, taxes and all operating expenses. When a member leaves the cooperative, the cooperative repurchases their shares at par value. Only persons who live in the cooperative can be members of the cooperative, and, unless approved by the co-op, only member households can live in the cooperative. Members join the co-op to provide themselves with housing that is stable, secure and over which they have control. Members

also have an opportunity to build community and to share and assist each other in ways beyond their housing needs: in essence, a quality of life.

Cooperatives are an effective way to provide affordable housing. Studies in Canada, US and the UK have concluded that cooperatives provide a very effective and efficient way of providing affordable housing. A report done in the UK by Price Waterhouse for the Department of the Environment comparing cooperatives and other forms of tenant control housing with similar housing associations and local authority developments concluded *“most... co-ops outperformed their Local Authority and Housing Association counterparts and provided more effective housing management services with usually better value for money.”* Tenant controlled organizations also *“delivered wider non-quantifiable social and community benefits.”* In the UK many housing projects that were formerly operated by Local Authorities are now either managed by resident owned cooperatives or have been transferred to resident owned cooperatives. Housing cooperatives are also extremely popular in the US. For example 30% of the housing in New York City is cooperative, the vast majority being limited equity affordable housing.

How is the cooperative managed?

Working together to meet common needs and to achieve their potential, co-op members can often accomplish goals not achievable as individuals. Co-operation implies and requires group action and group benefit. It combines two themes often thought to be opposite - respecting the individual's personal freedom while protecting the interests of the group.

A cooperative is governed and managed by its members and by its Board of Directors. Through meetings of the General Membership the members:

- set policy
- set budgets
- set monthly fees
- elect directors and recall directors if required
- terminate membership
- make and change bylaws

The elected Board of Directors are responsible for the day to day management and administration of the cooperative. The Board and the membership can delegate responsibilities to committees of the cooperative. In addition, a cooperative can hire staff or contract out for specific services that cannot be provided on a voluntary basis.

Research by Canada Mortgage and Housing Corporation indicates that *“The voluntary contribution of co-operative residents in the management and operations reduces operating expenditures significantly. An extensive survey of the various programs funded by the Canada Mortgage and Housing Corporation compared operating expenditures*

between co-operatives, private and public non-profits and public housing which had been financed under different CMHC programs. Housing co-ops (developed under Section 95, or formerly Section 56.1 of the National Housing Act) cost 40% less to operate than comparable public housing (owned by the federal or provincial government) according to a 1992 CMHC study of federal co-op housing programs. Several factors explain these differences: the different objectives where public housing is 100% targeted to low-income households whereas co-operative housing favours mixed-income communities; different management approaches whereby co-operative housing relies heavily on resident participation while public housing is entirely managed by staff. ..

Contribution by residents living in co-operative housing reduces the cost of administration, maintenance, operations and utilities when compared to public and private non-profits and public housing. Residents contribute to the management and operations through the board of directors and committees for finances, selection, maintenance and so forth. In addition, prudent management of expenditures is encouraged because residents are responsible for all decisions affecting the co-operative and information is transparent and easily accessible.” CMHC 1992

What is different about continuing housing co-ops?

Continuing housing co-operatives provide an alternative to renting and individual ownership. Continuing co-operatives are a form of housing in which the members jointly own and manage the complex they live in. Housing co-operatives are associations of individuals who have come together to provide themselves with quality affordable housing. The main attraction of non-profit housing co-ops is that of stability and security of home ownership, together with greater flexibility and access.

How do continuing housing co-ops differ from private ownership?

Unlike private ownership, members do not need to assume individual responsibility for getting a mortgage. The co-operative obtains the financing necessary to develop the housing project. Each month, the member makes monthly housing charge payments which covers, maintenance and administration costs. Since the members are co-owners, the monthly housing charges are set to cover the co-op's actual costs. There are no hidden costs or profits included in the housing charge. The basic structure of a co-operative provides the members with additional benefits not offered on other forms of multiple ownership (i.e. condominiums). Each co-operative member has only one vote. This provision ensures that the co-operative is a democratic organization and cannot be controlled by a small number of shareholders who have a majority of shares in the corporation. In addition, only residents can become members and maintain their membership in the co-operative, thereby protecting the members against absentee ownership. It is the co-operative who selects the new members of the co-operative; the members decide to whom the shares of a departing member will be sold. This enables the

members of the co-operative to determine who will be part of their community.

How do continuing housing co-ops differ from rental?

There are four important advantages to non-profit, co-operative housing over rental housing.

1. Unlike rents, co-op housing charges rise only with increases in the operating costs and do not include any profits.
2. Co-operative housing ensures an equal voice among residents in the decisions affecting their housing. There is no landlord.
3. Co-operative housing provides a unique opportunity for people to build a community and to share and assist each other in ways beyond their housing needs.
4. Democratic control guarantees that money budgeted for maintenance is spent on maintenance.

Who can qualify for continuing co-op housing?

Membership in a housing co-operative is open to anyone who can use the services offered by the co-operative and who is willing to take the responsibility to participate in the management and operations of the co-operative. To become a member of a housing co-operative households must purchase one or more shares in the association. When a member leaves the co-operative, the shares are sold back to the co-operative at par value.

Who lives in continuing housing co-ops?

Co-op housing is not a new idea. The first co-operatives, building co-operatives were very popular in the 1930's. Continuing housing co-operatives made an appearance in the late 1950's. Although slow to catch on, since the late 1970's, there have been over 90,000 units developed across the country. In Edmonton there are 38 housing co-operatives that have over 1,460 hundred units. Co-op housing includes single family housing, duplexes, townhouses, mobile homes and apartments. Families, couples and singles from all backgrounds, age groups and cultures live in housing co-ops. The thing they have in common is that they have discovered an alternative form of tenure.

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