

HOUSING COOPERATIVES: FINANCING THE FUTURE

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INTRODUCTION

Currently, the Province of Manitoba has 44 housing cooperatives, 34 of which in Winnipeg¹. A survey document was sent to a list of 11 housing cooperatives, out of which only 5 responded, generating personal interviews of more than one hour. A representative of the provincial government, other representatives of provincial organizations of cooperatives, housing cooperatives, civil society organization working on the right to housing, was also interviewed. The following observations should not be generalized, although a certain pattern is observed. Differences appear, evidently, between the longer existing cooperatives which operating agreements stemming from the Federal Government are ending, and the newer ones that must try to obtain financing on their own.

HOUSING COOPERATIVES: DEFINITION AND WIDER CONTEXT

“A housing co-operative is a housing business that is a consumer co-operative mutually owned by its members, which complies with the International Co-operative Alliance –ICA- Statement of Co-operative Identity and operates in accordance with the ICA’s Co-operative Principles”, according to the definition of both ‘ICA Housing’, one of ICA sectoral organizations and ‘CECODHAS Housing Europe’- the European Federation of public, co-operative and social housing that represents 28,000 cooperative housing organizations Europe-wide. The ICA definition of values and operational principles for cooperatives were included in the International Labour Organization –ILO- Recommendation 193 of 2002, thus obtaining global recognition. The key mission of housing cooperatives is to enable groups of people to access good quality and affordable housing on a long term basis, providing stability, safety and a lively surrounding community. Whether in Switzerland, Canada, France, UK or Belgium,

¹ http://www.chfcanada.coop/eng/pages2007/about_3a.asp?Prov=MB&Region=MB1

housing cooperatives are non-profit entities. The following descriptions show the general alignment with the world definition mentioned above.

The 'Quebec Confederation of housing cooperatives' describes in one of its videos that a housing cooperative is a group of people that organizes to assist its members to access property or the use of housing as its main purpose. A housing cooperative is a private enterprise in collective ownership, which resident members are involved in administering and managing the affairs and property of their housing development in a democratic and autonomous manner (CQCH, 2012)

A housing cooperative is, as explained by the Geneva Federation of housing cooperatives²:

- a private company which capital consists of shares subscribed by the members, who are or will be co-tenants and who must generally invest 5 to 10% of the value of their apartment or home, an amount that will be refunded to them when they leave the cooperative;
- a democratic organization whose supreme governance body is its general assembly, in which each member has one vote;
- a non-profit organization aiming to provide housing at the best price in general primarily or exclusively to members;
- an intermediate form of habitat between traditional renting and private property: the cooperative owns the building and is the responsible entity; cooperators are the legal and formal renters but they participate in decision-making and elect the administration of which they can be members; and
- an entity favouring the exchange, sharing and among cooperators, interweaving solidarity among all as well as building a shared sense of responsibility and accountability.

Recent research on households' bundles of property rights or ownership rights on German housing cooperatives provides new evidence confirming that "tenant cooperative members enjoy a stronger security of tenure than other types of tenants... their property rights are observed to be quite secure and clearly defined from a legal point of view, stronger for cooperative members than for tenants" (Haffner, 2012). It is worth noting that Germany's rental housing market is now open to large-scale private equity funds that have suffered strongly from speculation and securitization, after forming conglomerates by acquiring former public or housing organisations, with a low level of resilience in the face of capital markets (Kofner et al, 2012), the cooperative model provides a stark contrast.

This housing model, perhaps less known than other types of housing, appeared in mid-XIX century in Europe to deal either with industrialization and urbanization processes or with post-

² <http://gchg.ch/le-groupement/qui-sommes-nous/>

war conflict reconstruction (in both I and II World Wars). Like in Europe, housing cooperatives were strongly promoted in the inter-war period in Quebec. In 1968, The Cooperative Housing Foundation of Canada (today CHF Canada) was established and the country saw its best period of government support from 1973 to 1992. Similar policies took place in the same period in other developed countries, Europe in particular. After the Federal Government of Canada delegated housing policy to lower levels of government, Quebec has continued to offer the highest support with cost-sharing arrangements and provincial programmes³.

In general, in spite of all governments and institutions acknowledging that access to a place to live is a fundamental human need, the global financial crisis that began in 2007 has left a severe impact on the social and affordable housing sector as austerity, fiscal consolidation and structural reforms are implemented in many developed countries, with the vulnerable and poor as well as the middle-class unsatisfied needs on the rise. In Europe, on the other hand, because of the global financial and economic crisis, a renewed call for housing cooperatives is taking place (UNECE, 2014).

In 4 and 5 February 2014, the United Nations Economic Commission for Europe –UNECE–workshop on *“The future of social housing: environmental and social challenges and the way forward”* discussed the various concepts of social housing, provision and financing; the improvement of social cohesion, living conditions; easing energy poverty; and environmental sustainability with the intent of drafting a policy document with recommendations to UNECE member States (UNECE, 2014) that includes a signal of the state's role to all housing market participants that the state is coming back in support of affordable housing, and what is required from each participant to make this strategy work” (UNECE, 2014).

A major concern for the OECD and others international institutions active in policy coordination is to augment residence mobility because it augments the provision of labour at lower cost whereby workers can move more freely within the country or region⁴. When

³ For example, read “Three Levels of Governments Open the Second Phase of the Cooperative de solidarite en habitation de l'ARC and Invest in Affordable Housing,” by Marketwired Feb 18 2014. second phase of the Cooperative de solidarite en habitation de l'ARC was officially opened February 18, 2014, which construction received investment of about \$7.6 million. “The Government of Canada, through the Agreement for Investment in Affordable Housing 2011-2014, with the Government of Quebec, under the AccesLogis Quebec program of the SHQ, jointly invested over \$3.1 million for the construction of these housing units. In addition, Quebec SHQ has secured a mortgage loan taken out by the Cooperative de solidarite en habitation de l'ARC to complete the financing of the project. The community contributed a total of more than \$941,000, including about \$850,000 from the City of Quebec and over \$91,000 from Bureau de l'efficacite et de l'innovation energetiques of the Ministere des Ressources naturelles to ensure that the building would meet the standards of the Novoclimat program”.

⁴ OECD (2011) p.21

cooperatives are seen to enhance residence mobility against a tight market that attracts continuously wealthy or high income foreign residents, as in Switzerland, the state promotes housing cooperatives while other private builders show a higher degree of acceptance of such policy promotion. In Switzerland, there is no national system of housing allowances, but the housing cooperatives' "supply side assistance has been used sporadically to lift production levels in order to relieve market pressure on prices rather than redistribute housing outcomes"^{5 6}.

The OECD advocates in favour of housing allowances over direct housing provision for any rental dwelling, *be it* social or private landlords, because they are portable and furthers residential mobility⁷. It also advocates easing rental regulations in social housing to encourage mobility among social tenants,⁸ believing that the provision of social housing can lead to the "crowding out of private investment" and "reduce mobility by locking in tenants in so far rental regulations are stricter than for private rentals"⁹. Yet, housing cooperatives are made of mixed earners and lead to co-investment and participation of different stakeholders. Their model, as the Swiss experience demonstrates, providing stability while allowing its resident members to move if need be.

MODELS OF HOUSING COOPERATIVES

There are various models of housing cooperatives but they all share what sets them apart from other housing projects: being jointly owned and democratically controlled, namely being governed by their members on the principle of 'one person, one vote'. Their greatest potential contribution to human and community development is based on such characteristics. Yet, for such potential to flourish, collective action must be enhanced all along their existence.

Housing cooperatives appear under various models: with none, limited or full equity; with boards that govern the cooperative that can have mixed boards where tenants, local associations and municipalities are stakeholders (UK and Irish boards, as is also the case of multi-stakeholder housing cooperatives which statute is available in the Province of Manitoba) or just tenants.

In Canada, The first types of cooperative housing to emerge were building cooperatives and cooperatives of students. Housing cooperatives appeared in the early 1900s in relation to the

⁵ Lawson (2009)

⁶ <http://www.oecd.org/eco/growth/46901936.pdf>

⁷ OECD (2011) p.10

⁸ *Ibid*, p;14

⁹ Andrews, P., D., A. Caldera Sánchez and Å. Johansson (2011), "Housing Markets and Structural Policies in OECD Countries", OECD Economics Department Working Papers No. 836, OECD Publishing. <http://dx.doi.org/10.1787/5kgk8t2k9vf3-en>

student movement and other social movements such as the Nova Scotia Antigonish movement. The first student housing cooperative was created in Guelph, Ontario, in 1903, and the movement grew around or inside University campus since 1964, with funds provided under the National Housing Act. In the mid-80s, there were 1,750 units of housing cooperatives students. Building cooperatives appeared with a group of miners Tompkinsville, Cape Breton, who built the first 11 houses in 1938. They are only temporary, gathering cooperative members as future homeowners while they help each other during construction. Once built, the building cooperative disbands and members rest as home owners. Building cooperatives also exist in countries such as Italy and France. The 2014 law being discussed in France speaks of cooperative self-promotion during construction. In most cases, housing cooperatives have benefitted from state support in their early stages of development. During the last two decades, as many nation-states withdraw their support to social welfare and engaged in liberalization, privatization and deregulation, members of housing cooperatives must strive towards autonomy, inclusiveness and sustainability.

There are three main types of housing co-operatives in terms of equity:

1. *Non-equity* (or common equity). There is no financial interest in the property and no capital gain accrues to the resident. This is the archetypal model in Australia and Canada. The homes remain as affordable housing.
2. *Limited equity* allows for some capital gain. This can be achieved by shares in the co-op adjusted by CPI; the value of the loan principal paid down; or the land being owned by the co-operative and the dwelling by the resident.
3. *Full equity* (or market rate). Also known as co-housing, these cooperatives are fully funded by their members and any capital gain when sold is retained by the owner (Italy, France, Germany, also in Canada now). Usually, there is some clause or charter that puts some limit to speculation.

Housing cooperatives of homeowners is a small sector in the UK and Canada, while in Italy they are an important part of the cooperative stock. Italy and Spain have activities that receive subsidies if directed to social housing for low income earners or poor but do not if their activities are intended to the market in general, even if they offer more affordable housing. In some other countries (France, Canada), housing cooperatives may enjoy tax incentives to make housing more affordable, for example in construction, renovation, or while paying mortgages. (???)Nov 2011).

In Canada, the most extended model of cooperative housing is the 'non-equity model' (in French '*coopérative d'habitation à possession continue*', which may be situated *outside* the public

housing system although carrying similar aims, and has counted with government mortgage guarantees through the CMHC and sometimes with start-up grants.

Secondly, existing or projected housing co-operative residents who wish to live in the cooperative housing *ensemble* can sell, at current dwelling valuation, part or full share of a home to enable start-up funds for the establishment of the new co-operative, considered as part of the non-profit housing sector. The land remains with the co-operative for which a ground rent would be paid by the home owners, usually donated by the local authority or another non-profit organization.

Limited equity cooperatives –LEC- (Cheong 2011) can be structured to incorporate a member which financial contribution is sufficient to obtain a mortgage while the balance is guaranteed by the government, and allow for some capital appreciation based on a pre-determined formula such as the Consumer Price Index -CPI. Public administrations give land for free or in favourable conditions to cooperatives to build, the latter looking more towards ethical banking for credit.

With the financial crisis, a model of so-called double delegation of land and floor, based on the three most successful models in the world (the Andel model from Denmark, the Wohnprojekte from Germany and the FUCVAM model from Uruguay), is expanding in Spain with several projects¹⁰. The system works as follows: the owner of the land authorizes its leasing and use for up to 99 years, whether public or private, while each resident and member of the cooperative builds and has a home without the right to sell or reinsure but, at variant from Canada, can pass as inheritance to his/her children or others members of the cooperative. The right to housing is thus indefinite, transmissible and hereditary. In Europe, this is called 'intermediate tenancy'. In addition, the model is used for small towns, such as the abandoned village of Solanell revived as a cooperative town, with the support of European funds for about 40% of the cost, the cooperative Sostre Civic¹¹ and Ashoka¹².

In Scandinavia, supported by governments and the trade union movement, housing cooperatives account for about 15 per cent of the housing stock in Norway and Sweden, in Oslo reaching about 40% of the housing stock. In Sweden the cooperative sector has equal importance to the other types of ownership and rental.¹³

The social housing sector in the majority of European Union member states was debilitated or shrunk since the 1980s, along thirty years of deregulation, privatisation of the social housing

¹⁰ El modelo escandinavo de viviendas sin propietario arraiga en Catalunya, El Ayuntamiento de Barcelona cede un solar de Can Batlló y un edificio del Born a los futuros inquilinos, que codiseñan el edificio como cooperativa de cesión de uso, 21/02/2014, <http://www.lavanguardia.com/local/barcelona/20140221/54401534679/modelo-escandinavo-viviendas-andel-catalunya.html#ixzz35O4Vxcbo>

¹¹ <http://www.lavanguardia.com/local/lleida/20130414/54372262862/pueblo-resucitado-solanell-cuentas-tres-familias.html> and <http://www.sostrecivic.org/es>,

¹² for Ashoka see http://www.youtube.com/watch?feature=player_embedded&v=qOhtfe-dHXs

¹³ <http://www.rehal.fr/sites/default/files/Annexes%20Logement%20social.pdf>

stock and the privatisation of public housing in transition countries from centrally-planned economies in Eastern Europe (CECODHAS, 2012).

The UK, south and eastern European saw a drastic retreat while Austria and France continued to provide support to some extent, geared to homeowners and social homes. Responses were delegated to lower levels of government, be it provinces, municipalities, landers or cantons, while housing public entities had to become more like private developers in the market or sold their stock to private interests.

With the crisis in the last few years, though, housing cooperatives are back on the political agenda in Europe and in the USA. In Europe, austerity policies have cut down budgets for social housing, resulting in "an increased rate of mortgage defaults and, consequently, homelessness due the lack of supply to meet this increased demand for affordable housing" (UNECE, 2014). In the US, they are making a comeback as part of the so-called 'shared equity' that includes Community Land Trusts -CLT- that "apply a cooperative ideal to home and land ownership", according to Mueller and Tighe:

"As the U.S. debt grows higher, it seems appropriate to point out that the total amount lost to subsidies to encourage homeownership is somewhere in the vicinity of \$300 billion... The current housing crisis demonstrates not only the importance of housing policy to the overall U.S. economy, but also how minority and low-income households routinely pay the price for poor policymaking" ((Mueller et al, 2013,p.152).

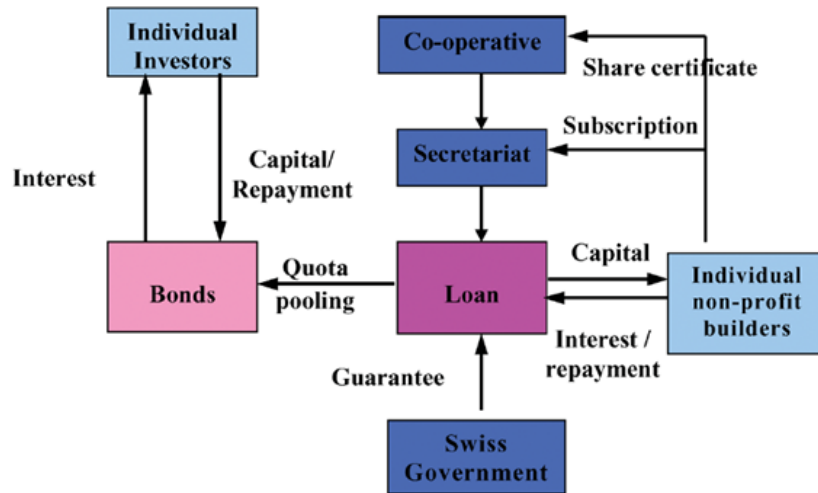
In the United States there are about 425,000 non-equity or limited equity co-operative dwellings, more than half of which are in New York (Bratt et al. 2006, p.250), many supported by community land trusts, about 190 CLT across the country, which are now being created in urban settings. Meanwhile, limited equity cooperatives or LEC, predominantly an urban phenomenon, have become a widely used vehicle for building stable homeownership and preserving affordability in *mobile home parks* from New Hampshire or Montana to California.

In Europe, the most common model at the moment is not fully specified by law in many European countries but follows a common pattern: there is land provision through state support, entry fees or member shares to allow individuals or families access to the cooperative housing project, plus monthly fees to cover the mortgage and services. The resale price of the unit or / and the right to use is established at the cooperative level to limit speculation. In some countries, this lock in against speculation is enacted through a national chart that must be signed by housing cooperatives and social housing builders (Switzerland), or a wider civil society association (Germany). While in France, a new federation of housing cooperatives – Habicoop is strongly lobbying at the national and at the European Parliament for a new law to promote both housing cooperatives and co-housing in 2013 and 2014, the civil society in Switzerland, both French and German speaking, is powerfully mobilizing in favour of housing

coops as well. ¹⁴ These new social movements tend to speak of participative housing, co-housing and eco-quartiers, but their legal and governance models are focused on housing cooperatives.

Housing cooperatives are extremely important in Switzerland, where social housing is led by cooperatives for about 13 % of all rental units. Switzerland has an Ethical Charter¹⁵ established after the 1997 Parliament decision to establish a partnership in order to promote non-profit participative housing that must be signed and respected by any organization active in social housing.

Finance is largely provided by ordinary commercial banks while at the federal level, “non-profit builders are supported with loans from either a revolving fund managed by the Federal government, or from bonds issued by the sector’s Bond Issuing Cooperative –BIC- backed by public guarantee”. These state-backed Bonds give assurance and facilitate investment in housing cooperatives. Institutional investors such as pension funds and insurance companies are attracted to BIC bonds by the state guarantee and high credit rating (AAA). The following figure by Lawson (2011, p.60) shows how social housing is financed, in a system that has both liberal and conservative traits within an environment dominated by private landlordism.



In terms of governance, similar to Canada, smaller organizations often rely on tenant commitment while larger ones are managed either by professional and/or external staff. At the canton and local level, there are local programmes permitting, alongside loans and guarantees,

¹⁴ See Conference at Lausanne of 19 June 2014, <http://www.alliancesud.ch/fr/infodoc/projets/dickens6/2014-alternatives/cooperatives-habitation>. Also German speaking <http://www.mehralwohnen.ch/home.html>

¹⁵ <http://gchg.ch/le-groupement/charte-et-statuts/> and <http://gchg.ch/wp-content/uploads/2012/09/Charte-GCHG.pdf>

the 'right to build' on public ground, offering pilot or special building and planning codes for social housing.

“Social, or non-profit, housing, consists mostly of cooperatives, and its users come from a wide array of income levels, and lifestyles. As long as they profit from rent subsidies, dwellers must obey income and wealth limits, and respect restrictions regarding the size of flats. The challenges are to gain better access to land, which the cantons (local governments) provide, and adapt housing stock to new energy standards and changing household patterns. All this must be done at reasonable cost, while maintaining the social housing sector by enhancing its effectiveness for younger people”, challenges shared by all housing cooperatives around the world (Peter Gurtner, Former Director of the Federal Office for Housing of Switzerland, see UNECE 2014).

CANADA'S POLICY DIRECTLY RELATED TO COOPERATIVES

According to Cole (2008, p.232), there are over 90,000 co-operative dwellings in Canada located in 2,100 cooperatives, offering affordable housing to approximately 250,000 residents.

In the late 1960s, the federal government promoted mixed income housing cooperatives through the Canada Mortgage and Housing Corporation –CMHC, offering a federal cooperatives housing program that operated between 1973 and 1992, when it was devolved to the provinces. In the 1970s, after the Paul Hellyer Report, the federal government upheld cooperatives and other non-profit housing as an alternative for public housing. According to Bacher (1993, p.233) Hellyer saw cooperatives as less stigmatizing and more responsive to vulnerable populations, endorsing them in front of some Canada Mortgage and Housing Corporation (CMHC) Directors, who did not favour this option, tasking the CMHC with assisting in the financing of cooperatives.

Willow Park, in Winnipeg, became the national pioneering project and led to the creation of the Co-operative Housing Association of Manitoba on 23 January 1960. Its Board of Directors was formed by leading labour and cooperative groups, taking stock of the Swedish experience for their cooperative bylaws.



Fig 3 Willow Park Housing Co-operative, Winnipeg, Photo: David Bunce (note: photo to replace by own)

In another research on Willow Park, residents gave evidence of their sense of ownership and satisfaction: *“Canadian interviewees measured their residential satisfaction in the co-operative by contrasting it with negative experiences in the rental apartment market. For instance, a resident at Willow Park, Winnipeg compared a previous apartment to her co-operative home by referring specifically to having her own front door, a small yard, a basement and being allowed a pet. A woman aged in her 30s and a long time Winnipeg co-operative resident recalled that as a child she was allowed to stay out later than other children... because you knew everybody and everybody looked out for you. (WP8, conference, source???)*

In its start, Willow Park, against the reticence of CMHC that wanted 80 % occupied before supporting the project, got the support from credit unions and Manitoba Federated Cooperatives, going ahead with such a success that changed the minds of those at CMHC, for a short while. Resident ownership and control in cooperatives were favourably appreciated by the Canada Mortgage and Housing Corporation in its 1992 Evaluation of the Federal Co-operative Housing Programs, when federal programmes ended¹⁶. In spite of the early recognition of the inability of the market to meet the needs of low-income families, the question of why the principle of subsidized housing was argued against by the Canadian Department of Finance, under Deputy Minister W.C. Clark., remained open in the 1990s (Bacher, 1993).

While the 1973 amendments to the Canadian National Housing Act pleaded for a strong and ‘comprehensive’ housing policy, only five few years later, in 1978, the transfer of financial responsibilities to the provinces began.

More recently, heeding calls from the OECD and IMF on concerns about the Canadian housing market, CMHC has implemented new measures related to the insurance of portfolios of low-ratio mortgages, to reduce the taxpayer exposure to the housing sector. It prohibits the use taxpayer-backed insured mortgage and prohibits its use of collateral in securitization vehicles that are not sponsored by CMHC. It changes eligibility rules, eliminating high loan-to-value

¹⁶ http://www.chfcanada.coop/eng/pages2007/docs_003.asp

refinancing transactions and has more stringent qualifying criteria for insured mortgages. It has reduced the amount of residential mortgages that can be securitized into National Housing Act mortgage-backed securities (NHA MBS), as building blocks to the new Canada Mortgage Bonds (CMB); securities that remove the risk of principal being returned at inopportune times (prepayment risk)¹⁷. Remaining principal earlier than foreseen, precisely, has been a point of contention for housing cooperatives in Winnipeg, seeking to repay a few years earlier their mortgage in order to engage a new loan to start much needed energy efficiency measures or renovation to serve senior and other members.

Under PRMHIA, the Protection of Residential Mortgage or Hypothecary Insurance Act passed in 2011 and in force since January 2013, criteria for mortgages in order to be insured are the following¹⁸:

- a maximum mortgage depreciation of 25 years
- insurance of refinanced mortgage limited to loans with a loan-to-value of 80% or less
- capping the maximum gross debt service ratios at 39% and total debt service ratios at 44%
- capping home purchase price to less than \$1 million
- setting a minimum credit score of 600

These new measures are less attentive to more vulnerable populations and lower earners.

FINANCING HOUSING COOPERATIVES

THE EXAMPLE OF DUGALD STATES: NEW HOUSING COOPERATIVES RESPONDING THE EMERGING NEEDS



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¹⁷ <http://www.theepochtimes.com/n3/514052-budget-tweaks-to-canadas-housing-market-hardly-surprising/>

¹⁸ http://investor.genworthmicanada.ca/files/doc_financials/quarterly_reports/2014/MIC%20MDA_Q1%202014.pdf; 2013 Annual Report by Genworth Financial, Inc.

The Springfield Seniors Non-Profit Housing Co-operative Ltd. (SSHC)²⁰ \$16-million and project called 'Dugald Estates', is 47-unit, 55+ independent, three storey, seniors housing co-op, to be built on 4 acres of land, for senior baby boomers who don't want to give up their rural lifestyles and social circles by moving into Winnipeg and Brandon as they get older, thus responding to the pressing needs of seniors housing in smaller communities in the province of Manitoba.

A Springfield Seniors Housing Committee was formed in 2008, evolved in 3 years of meetings, consultations, surveys and studies, to turn into the Springfield Seniors Non-Profit Housing Co-operative Ltd. (SSHC), officially incorporated in the Province of Manitoba under the Cooperatives Act (Manitoba) (sec. 275(2) and it is meant to be one of the first multi-stakeholder cooperative in the province, with the idea of gathering both residents and supports, including the accountant and community organizations. The project is operated by volunteers through a board of community leaders and has consistently over 50 members in monthly meetings. The housing cooperative has over 120 members who have already paid their share, coming from Dugald and Oakbank, and has celebrated its first Annual General Assembly or Meeting in October 2012.

The SSHC has had a strategic alliance with the Western Manitoba Seniors Non-Profit Housing Co-op in Brandon with whom they exchange information and learn from each other. The SSHC works closely with the Province of Manitoba Registrar and Co-op Development Office, which links are a key to success. It is a member of both the MCA, Manitoba Cooperative Association and of CHF Canada.

The design has been completed by Verne Reimer Architecture of Winnipeg and both construction and ongoing operations are account by Resolve Project Management Ltd and Concord Projects Ltd. Expertise has been provided by these firms on a 'pro bono' basis; and will be paid when the project proceeds. Dugald Estates is in the final marketing phase. Housing charges are pro-rated per square foot, from \$775 for 601 sq.ft unit to \$1908 for the largest unit for 1482 sq ft,, and will include one underground parking space for each suite, six new appliances, all maintenance, taxes and utility costs. Residents will only be responsible for telephone, internet, TV and personal contents insurance.

"Prospective residents must purchase shares at a cost of approximately \$89,610. All residents, regardless of suit size, will pay the same entry amount. This amount will be refunded when the resident leaves the co-op. Residents will receive no interest payments on these shares as we are

¹⁹ Photo: Project spokeswoman Lesley Thomson and Springfield Reeve Jim McCarthy at the future site of Dugald Estates (credit: Kirbyson, 2013)

²⁰ http://www.springfieldseniorshousing.com/dugald_estates.html

a non-profit housing co-op. Any funds the co-op earns above and beyond its operating costs will be reinvested in the co-op."

Lesley Thomson, its board chairwoman, acknowledges that their co-operative concept is different from other co-op housing models in Manitoba generally geared toward low-income residents. Local baby boomers can remain in their community buying into the cooperative through a pledge to sell part or all of their homes, still affording to keep their style life with the remaining capital.

The co-op has received an offer of financing from the Oakbank Credit Union for \$11 million and the remaining \$5 million of the construction costs will be covered by the co-op memberships. The bridge loan would cost 3.5%. The community through the Dugald United Church donated \$150,000 plus \$3,000 annually for maintenance. The RM of Springfield, to the east of Winnipeg, donated the 1.6-hectare building site for a \$1. The municipal council had no doubts about donating the land, to maintain the population in place:

"This (development) will preserve our community. People can age in place, which is something we don't have much of right now... Our population (in the RM) is about 15,000 and about 10 per cent of them are over 65. Of that group, 30 per cent are over 75 years old."

Leslie Thomson explains that, after the first building, the group would like to construct an assisted-living facility and a supportive-living facility. A Winnipeg interviewee, who is a member in a new cooperative housing development that is in the final stage of search for new members of the cooperative (with just a few 5 more members and future tenants, the project can launch the construction phase) voiced that safety concerns are paramount in their funding discussions:

"In the case of seniors' homes, cooperatives offer value because the middle class aging population is financially stable but is unable to stay in the community which, for an aging person, means increased risks."

Remaining challenges remain as potential lenders and insurers request 100 occupied housing and 100% equity, before supporting the cooperative, even though only 5 to 7 suites only were still free. For example, lenders could incorporate considerations of existing rental construction tax credit, instead of full 100% equity. A main concern was the selection of the most appropriate partners to successfully accomplish the project. Discussions on finance and partnerships take place mostly at the Board level in the cooperative and with the provincial government. The SSHC Board also monitors government calls for funding but concerns about upfront payment for experts to help them respond to the call were high. Both the province and MCA offers some funding, though small, but on demand access to some seed or start-up fund would be necessary, to opportunely respond. There is a Jubilee Fund but doubts about its access and use

had prevented further enquiry. The SSHC has not received any government funding as yet, even though community stakeholders fully support the initiative and has been able to coordinate the project, attracting professionals and articulating a vision through a committed leadership. In particular, government authorities could support safety and energy efficiency standards, such as water sprinkle systems.

Benefits for the community are the following according to the SSHC:

1. Seniors who become residents free up their homes, providing housing opportunities for an influx of younger families
2. Seniors contribute to the local economy as they are more inclined to shop locally
3. Seniors are a significant volunteer resource and support local community events and local community projects
4. Retaining seniors in the community creates local jobs with the increased demand for services such as home care, meal services, basic health care services, transportation.
5. By creating a mixed space where seniors, families and children can meet and exchange, the community becomes more sustainable and cohesive.²¹
6. Seniors can free their homes to the increasing local housing demand from new young families looking for places at commuting distance from Winnipeg and still remain in their community.

HOUSING COOPERATIVES AT THE END OF OPERATING AGREEMENTS

As mentioned before, housing co-operatives are legally registered private entities where the homes of various residents are vested in the co-operative through a trust deed or head lease from the state housing authority. Occupation of the dwellings that are destined to social housing remains restricted to lower income people qualified for public housing. There are thus many mixed cooperatives with lower and middle income earners. As expressed in an interview of a manager of a housing cooperative in Winnipeg, housing co-ops have long waiting lists and the problem is being amplified as government funding subsidizing low-income residents in the cooperatives expires without renovation, creating a dilemma to co-operative housing that are governed and managed on a non-profit basis. How to afford the incoming higher costs to keep their neighbours housed, and remain viable for all?

The 34 housing Cooperatives in Winnipeg are present in various neighbourhoods and many are about to finish paying mortgages after 30 or more years of existence. Between

²¹ Dugald Estates, 21 Februar 2014, A 55+ HOUSING PROJECT BY *THE SPRINGFIELD SENIORS NON-PROFIT HOUSING CO-OP LTD.* Mimeo.

2014 and 2019, the majority of federal operating agreements end, and the affordability of 200,000 homes for 500,000 low-income Canadians are at risk. Subsidies have been provided to housing cooperatives through these operating agreements to pay mortgages. As most cooperatives were established in the 1990s for 20 or 30-year terms, the mortgage is paid, the subsidy ends. This research has tried to understand what cooperatives are doing to face the incoming dilemma:

“Most co-ops are mixed income, meaning the majority of members pay regular rent and a limited % of suites are reserved for people who need subsidy. No government money is given to the co-op as such, unless they assist low-income people with their rent. When the subsidy ends, yes we will be able to continue on, but the way that will happen is that everyone's rent will go up to market rate. So those who already pay regular rent will be okay, but low income folks will not be able to afford it and will have to move. That is the issue. Co-op s are complaining because we want to avoid evicting poor people, our neighbours, in order to be able to pay our expenses, but we may not have any other choice. Co-ops are run by the people who live there, voluntarily, in our spare time; no one is getting paid to do it.”²²

Second, it has been common for cooperatives to remortgage in order to engage in absolutely necessary building repairs and/or to comply with state-of-the-art standards. Repairs usually take up most or all of any money a cooperative can save in advance. Any surplus saved and the cooperative share equity is money used to secure bank loans when it is time to do major roof or mold repairs. Moreover, there has a governmental regulation by which any saved money beyond a limit had to be rendered to the public authority. In this way, housing charges cover regular maintenance costs, and there is no *rainy fund*, so common in non-profit organizations. As low-income residents pay the same rent as everybody else, the government subsidy goes specifically to that person's name and to cover the difference between income and rent.

Third, if cooperates can get a loan at the end of subsidies, if interest rates are increased, may not be able to continue ensuring affordable housing without support, leading to a gentrification process and losing their mixed character that makes them a true community.

Fourth, when the CMHC request to repay with penalty due to their will to pay the remaining principal ahead of time, as discussed above, such a non-profit organization has no other way but to increase rents. In one example in Winnipeg, out of 115 units, 32 are subsidized, thus at risk... unless the other cooperative residents pay more of their share in order to cover their lower-income neighbours. There has been such an initiative but unforeseen consequences may appear, such as increased comments of lower-income residents' activity (have they spent money, on what, when?). Interviewees discussed the idea of having a new non-profit common fund from those who would volunteer to donate money to support their neighbours, so that

²² <http://globalnews.ca/news/1100348/co-op-housing-subsidy-to-end/>

residents would not know exactly from which cooperative resident the money comes from. The government could support such an initiative by making, at the very least, such donations tax free. There seems to be no easy solution if the government does not come up with new support programs for low-income and vulnerable populations. Indeed, the right to housing requires a response that encompasses enhanced legal enforcement of the right to adequate housing, promotion of multiple forms of security of tenure, and the protection of housing rights for disadvantaged groups (OHCHR, Toolkit), in which all levels of governments appear as necessary. In 2013, the UN Compilation prepared by the Office of the High Commissioner for Human Rights in accordance with paragraph 5 of the annex to Human Rights Council resolution 16/21 on Canada, stated the following:

"The Special Rapporteur on the right to adequate housing recommended that the right to housing be recognized in federal and provincial legislations as an inherent part of the Canadian legal system."

"In 2009, the Special Rapporteur on the right to adequate housing indicated that the definition of "core housing need" should be revised to include all the elements of the right to adequate housing, and Canada should adopt a national strategy on affordable housing." (UN, 2013, p.4 and 11)

The national representative organization 'CHF Canada' has tried to confront the challenge, with its main offices in Ottawa, and a small unit in Winnipeg called 'CHFC's Manitoba Office'. The role of CHF Canada has been of representation and lobbying of existing units and not the development of new ones, although this is changing. In 2005, CHF Canada and the Federal Agency for Co-operative Housing (www.agency.coop) entered a partnership, by which the former took care of the administration of the existing federal government's coop programme. Over the last few years, CHF Canada has been calling on all levels of government to work with stakeholders to protect affordability for seniors, Aboriginal Canadians, persons with disabilities and other low-income families through new cost-shared rent supplement programs delivered by the provinces and territories. Efforts by CHFC acknowledge the current policy framework, refocusing on lower levels of government. In addition, it has developed its '2020 Vision' to promote cooperatives standards of operation in terms quality of management, governance, and environmental sustainability, for those which operating agreement end, as well as for those without.²³ Recently as well, housing co-ops under the Section 95 co-op housing program obtained flexibility to use rent-geared-to-income subsidy to continue supporting vulnerable households, "a good first step towards addressing the larger, long-term issue facing federally-funded affordable housing" according to CHFC Director Nicholas Gazzard. CHFC has had seminars and meetings with provincial authorities and credit unions across Canada to study new approaches and loan financing. Its role is changing to adapt, including the monitoring of

²³ http://www.chfcanada.coop/eng/pages2007/agm_resolutionsprev.asp

the evolution of housing cooperatives as part of a social guarantee in partnership with local credit unions.

Local representatives of housing cooperatives, through MCA and CHFC in Winnipeg, have also been active in lobbying, meetings with government officials and research (Note: more to come).

At the level of housing cooperatives and above all, their boards and managers, these concerns for inclusion, fairness and sustainability, are leading to discussion and research, and sometimes, without an explicit reason, some cooperatives are ending a long tradition of delegating daily management to housing companies, in order to hire new professionals on an individual basis. These managers do not live in the cooperative, and are professional managers or accountants. So far, only one of these managers has followed a course with a 'cooperative management certificate'.

Local research has recently focused on Community land trusts after a failed try. Sharing a growing North American concern for what happens *after* homes are sold, as the US National Housing Institute in 2004 (NHI 2006) study showed, CLTs are becoming a tool to manage long term provision of affordable land and housing.

These non-profit voluntary organizations purchase and hold land in a trust to develop affordable housing and other community services, differing from development trusts on their focus on affordable housing (Davis, 2010). Moore and McKee based on experience of Scottish CLTs in particular that "shows that structures providing technical and financial support can be imperative to assisting communities to acquire and manage land in a holistic and beneficial way", point a cautious note (2012). If most CLTs appear in rural areas, they are increasingly an urban phenomenon that supports housing cooperatives. London Citizens made a call for private funds in 2009 to set the first English urban CLT. UK authorities set official recommendations on CLTs capital in 2007 (Bernard et al. 2010) and the UK 2008 Housing and Regeneration Act included them as social housing actors, creating the same year the CLT Fund to finance them.²⁴

Indeed, the Province of Manitoba investments have been a crucial factor in responding to housing needs, and in supporting cooperative housing, with its branch 'Co-operative Development Services (CDS)' of Manitoba Family Services and Housing Housing and Community Development²⁵ having 3 experts to advise and support new initiatives. These experts are called 'CDS Co-op developers' are located in Winnipeg and rural Manitoba to provide support and guidance to anyone wanting information and assistance with incorporation, counseling, regulation to comply with the 'COOPERATIVES ACT' as well as by-laws, technical assistance and ongoing support to expansion projects, information on

²⁴ Les Community Land Trusts, Audrey Golluccio, Habicoop, February 2011.

²⁵ <http://www.gov.mb.ca/housing/>

financing programs and access to others²⁶. Manitoba Family Services and Housing, through its Portfolio Administration Branch offers the Index-Linked Mortgage Co-operative Housing Program.

“In 2009, the Provincial government committed to build 1500 units of affordable housing” together with another 1500 units of social housing (Rent Geared to Income) by 2014. In 2013, its budget projected 500 further units of each over the next three years”²⁷.

There is a new Provincial Rental Housing Construction Tax Credit for affordable housing, a new Policy adopted in September 2013 that includes tax, the development of 750 new rental units, and support for the development of 500 mixed-income home ownership units²⁸ (including housing cooperatives). In May 2014, its implementation plan was discussed by the council.

CONCLUSIONS

In Winnipeg, and in general in Canada, a key question is the viability of existing social housing because operating agreements with the government expire in the near future and the Federal government has no declared intention of reconsidering its exit from the housing market.

Main strategies have been to

1. Participate and/ or take the initiative in research and analysis on potential approaches to improving their viability as subsidies end.
2. Research of partnerships in the community and with financial organizations, in particular credit unions. Organizational adaptation to enter such partnerships is necessary.
3. Implement agreements with provinces and territories on the extension of the Investment in Affordable Housing and/or other related partnerships (expertise, monitoring, funding calls, working with the province Registrar and Co-op Development experts).
4. Looking at Community land trusts –CLTs- are taking root in Canada following the experience in the US and the UK in particular, although France and other European countries share the same trend. The CLT appeared in England in the 18th century, but it has had a spectacular evolution in the last 10 years.

²⁶ <http://www.gov.mb.ca/housing/coop/>

²⁷ Brandon, J. CCPA-MB, <http://policyfix.ca/2014/03/10/trends-in-residential-investment-in-winnipeg/>

²⁸ <http://www.winnipegsun.com/2014/04/23/housing-plan-approved-by-epc>

The right to housing requires a response that encompasses enhanced legal enforcement of the right to adequate housing, promotion of multiple forms of security of tenure, and the protection of housing rights for disadvantaged groups, in which all levels of governments appear as necessary. There is no easy solution, but housing cooperatives in Manitoba are determined to continue supporting low-income and vulnerable populations, as their neighbours and their community. However, they should not be taken as an easy shortcut or synonym of public housing as their self-management and governance model need care and training. As in other countries in Europe, housing cooperative models and their partnerships with public institutions, non-profits, credit unions and social movements, will conceivably get more attention from both civil society and public authorities in the near future.

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ANNEX 1 - MAP OF WINNIPEG HOUSING COOPERATIVES

THERE ARE 34 HOUSING CO-OPS BUILT IN VARIOUS NEIGHBOURHOODS

Note: pink dots represent other housing cooperatives which names do not appear in the map.



ANNEX 2 – MANITOBA

NAME OF ACT/REGULATION

- ✓ The Cooperatives Act CCSM c. C-223
- ✓ Part 12 deals specifically with housing coops. Cooperatives Regulation C-223-MR 95/99
Part 3 deals specifically with housing coops.
- ✓ Cooperatives Regulation, amendment Regulation 81/2002
- ✓ Cooperatives Regulation, amendment Regulation 150/2003
- ✓ Cooperatives Regulation, amendment Regulation 144/2009
- ✓ The Residential Tenancies Act, CCSM c. R-119:
Landlord/tenant legislation applies to housing cooperatives only when a member's right to possess and occupy a unit in a housing co-op has been terminated and he or she does not move out of the unit. In such case, the housing co-operative must apply for a writ of

possession. The Residential Tenancies Act of Manitoba sets out the steps for getting a writ of possession.

- ✓ Housing cooperatives are self-governed, basically by their articles of incorporation and by-laws: to admit new members, to set members' obligations, how conflict is handled, the process of setting and collecting money owed to the co-operative by a member, general meetings, the board of directors, access to information, non-discriminatory and equal treatment, the termination process of being a member, members' right to appeal, writ of possession, etc.
- ✓ Subsidies and low income earners: co-op may allow in its bylaws to set a system for providing subsidies for housing charges to its members, and other rules relating to the occupancy of a housing unit. This allows housing cooperatives to meet the needs of vulnerable populations.