

# **CO-OPERATE NOT SPECULATE:**

A Report By  
The London Co-operative  
Housing Group



**CO-OPS 4 LONDON**

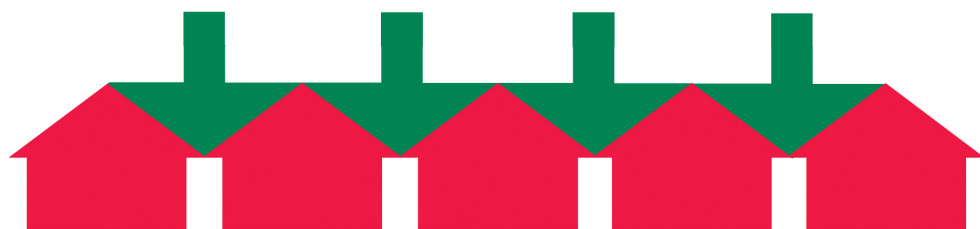




Photo: Jessica Jacobs, 2016

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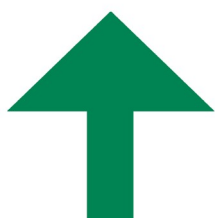
## INTRODUCTION

London is an amazing city to live in because it is made up of people from all over the world and from all walks of life. However, soaring property prices, together with the sustained attack on social housing that came with the 2016 Housing and Planning Act, are helping to create a city where only the privileged can live comfortably. Millions of Londoners on low incomes (including 700,000 whose earnings are below the living wage) are now faced with the real risk of losing their homes as government legislation puts even more pressure on councils and housing associations to sell off their housing stock or set new so-called 'affordable' rents that cannot be controlled because they are pegged to market rates. According to a 2016 study by the Centre for Economics and Business Research (Cebr) that's one in three police and ambulance drivers, one in three care workers and 30 per cent of all our postal workers, cleaners and security staff.

Mutual housing co-ops are a unique form of social housing because they provide low-rent homes for people with secure tenancies. The tenants also collectively own and manage their homes. Co-operative tenant members are landlords AND tenants. Rents are low because they just need to cover the cost of the home – there's no point increasing your rent above your costs when you are also the person paying the rent. Thanks in part to their relatively small numbers co-ops were largely exempted from the worst elements of the 2016 Housing Act. For example, unlike housing association stock, housing co-ops can't reduce the number of homes they have through the introduction of the Right to Buy because co-op tenants already collectively own their own homes. While private tenants in receipt of housing benefit risk losing their homes in London because of the £500 (£350 if single) a week benefit cap, co-op tenants are for the most part protected because rents are lower. The same 2016 Cebr study found that people in social housing contributed almost five times the amount they received in housing benefits to the economy.

We believe co-ops have been overlooked by local councils, the Mayor and the housing sector. We also believe co-ops can provide the Mayor's current housing strategy with the heart and vision it is currently missing. This is why we have written Housing Co-ops for London; not just to tell you something about housing co-operatives as they are now but also to start a conversation about what they can be in the future. New homes should mean more housing co-ops because they are a vital part of social housing in London. Today you need an annual salary of £59,000 to be able to buy your own home in London. If London is to remain the amazing city it is we need:

1. Funding and support for more housing co-operatives to be built in London, alongside a viable means of land ownership that protects them from rising land values (e.g. Community Land Trusts).
2. Mechanisms to help existing housing co-operatives to invest in, support and act as mentors to help new co-operatives.



Edward Henry Housing Co-op, Waterloo  
Photo: Phil Wright, 2016

In the following pages we will present the case for housing co-operatives. Although most people recognise the term 'co-operative' and generally think they are a good idea, surprisingly little is known about how housing co-operatives work, so our report begins by explaining the history of housing co-ops, the different kinds of housing co-operatives out there and our key values and principles.

In the housing sector itself, the housing co-operative model is often overlooked because it doesn't fit neatly into either social or private housing categories. Co-ops are usually small compared to larger social housing estates, comprising of individual houses or small blocks. Just as council housing is stereotyped by broken lifts in run-down tower blocks, co-ops are often dismissed as failed attempts at collective living or a niche option only suitable for middle class enthusiasts with time on their hands. In this report we will tell you about some co-ops that are home to people of all ages, from all walks of life – teachers, taxi drivers, shop assistants, lecturers, carers, and many more. Living in their own individual homes but who collectively make a vital economic, social and cultural contribution to their communities.

Two of the most misused terms used in housing today are 'affordable' and the provision of 'value'. Most people can't afford 'affordable' when it is set to follow an out of control market. And no-one can accurately calculate 'value' when it is defined in purely financial terms and also attached to a broken market. We can't afford a London without housing co-ops.





In the next section we set out some clear proposals for the changes we think are required if London is to recover and flourish over the coming decades. Social housing is London's glue and can only be protected if the land it is built on is protected from the vagaries of the private market. Real value can't be accurately assessed if it is only defined in terms of market value; it has to also be defined in terms of social value.

Housing co-ops rely on individual and collective efforts at the grass roots. Unfortunately political support for co-ops comes and goes with little or no impact. While funding for housing co-ops was a key promise in Boris Johnson's Housing Manifesto of 2008, it all-but disappeared from the Mayor's 2010 and 2014 Housing Strategy. We know co-ops are not the only solution to London's housing crisis. More social housing is the real key. But housing co-ops can support council housing, and ensure London can offer a diverse range of housing provision for a diverse city. In our recent survey we found a great deal of interest in and enthusiasm for both old and new kinds of co-operative forms of housing. We end our report with a summary and appendix giving details of existing co-op projects. A selection of responses from our survey are scattered throughout this report.



Banner hand crafted  
by Barley Massey (Fabrications)  
Photo: Barley Massey, 2017



## 1. CO-OPERATIVE HISTORY AND PRINCIPLES

### 1.1 What is a Co-operative?

While there are earlier examples of co-operative structures in England, such as the Fenwick Weavers' Society founded in 1761, it was a group of weavers and other skilled workers from Rochdale who came together during the height of the Industrial Revolution in 1844, who are generally credited with being the first successful co-operative enterprise.

The growing mechanisation of production meant that skilled workers were increasingly forced into poverty and found it harder to provide for their families. The 28 men who formed the Rochdale Equitable Pioneer Society established a set of clear co-operative principles considered radical at the time, now known as the 'Rochdale Principles'. Their co-operative business model challenged the dominant models not just because it involved open membership and democratic control but also because profit was limited, good service was prioritised and education of the community was built-in to the trading process. Membership was through the investment of £1 of capital so that collectively the group could purchase good quality produce and rent a shop in their community to sell the goods at prices the local community could afford to pay. The idea worked so well that by 1854 over 1,000 similar stores had opened. By 1861 the Rochdale Pioneers used these same principles to provide the community with housing and by the end of the century they had built 300 houses for rent.

### 1.2 Co-operatives Today

There are so many different kinds of co-operatives across the world today that a definition has to be as broad as possible. According to the International Co-operative Alliance (ICA) a co-op is 'an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.' Housing co-operatives are equally diverse. Some co-ops own their properties, others manage them on behalf of the owner, usually a social landlord.



Housing co-operatives can now be found all over the world. For example 14 per cent of Norway's total housing stock of 1.7 million dwellings is co-operatively owned and managed under the umbrella of the Norwegian Federation of Co-operative Housing and Building Organisations (NBBL). NBBL are responsible for 15-20 per cent of total housing production in Norway each year. In Berlin, co-operatives are integral to government housing strategy and more than 11 per cent of all rental housing is co-operative in some form. Housing co-operatives are also the largest not-for-profit housing sector in Canada, housing over 250,000 people. Meanwhile in Turkey the largest co-operative housing complex in the world is the Kent-Koop in Batikent, where over 250,000 households live in co-operatively provided and managed homes. Co-operatives are also making a comeback in Uganda. After a crackdown in the 1970s and 80s, there are now 16,500 registered societies who are beginning to invest in land and homes. Back in the UK, the birthplace of the co-operative movement where over 17 million people are connected to some form of co-operative society, the percentage of co-operative housing is a shamefully small 0.6 per cent.

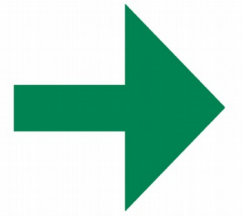
In the UK there are four main forms of co-operative housing:

1. Fully mutual ownership co-ops
2. Shortlife housing co-ops
3. Housing association management co-ops
4. Tenant management organisations (TMOs)

However just to confuse matters there are also groups that might include some form of co-operatively managed housing such as:

- Community Land Trusts (CLTs)
- Co-Housing Groups
- Co-ownership groups
- Multi-stakeholder co-ops

***'I want to live in a place that is part of the solution, not part of the problem. I don't want to contribute to the housing crisis with property speculation.'***



While there are some differences in formal legal structure, all co-operatives share at their core the following seven principles:

- 1) Voluntary and Open Membership: Co-operatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- 2) Democratic Member Control: Co-operatives are democratic organizations controlled by their members – those who buy the goods or use the services of the co-operative – who actively participate in setting policies and making decisions.
- 3) Member's Economic Participation: Members contribute equally to, and democratically control, the capital of the co-operative. This benefits members in proportion to the business they conduct with the co-operative rather than the capital invested.
- 4) Autonomy and Independence: Co-operatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the co-operative's autonomy.



Mortimer Terrace Nature Reserve  
Photo: Debbie Humphry, 2016



5) Education, Training, and Information: Co-operatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operative. Members also inform the general public about the nature and benefits of co-operatives.

6) Cooperation Among Co-operatives: Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7) Concern for Community: While focusing on member needs, co-operatives work for the sustainable development of communities through policies and programs accepted by the members.

This report is focused on one particular kind of housing co-operative – the fully mutual housing co-operative. This is because we believe mutuality keeps ownership in the hands of its members, thereby protecting tenants from losing their homes as a result of changes to government legislation or avaricious property speculation. A ‘mutual housing organisation’ was defined by the 2009 Commission on Co-operative and Mutual Housing as one ‘which enables residents, through having the right to become members, to control or participate in governance and to exercise control over their housing environment, neighbourhood and community’. Fully mutual housing co-operatives own, govern and manage their properties collectively, under the aegis of the 2014 Co-operative and Community Benefit Societies Act (formerly Industrial and Provident Societies). Of key importance here is that while members of a housing co-operative collectively own their properties, they cannot trade in them. When you join as a member you receive a nominal £1 share. If you leave the community your share returns to the co-operative. You cannot ‘cash it in’.



## 2. HOUSING CO-OPS IN LONDON

The majority of London's housing co-operatives were established in a time of economic hardship. In the late 1970s London was experiencing a completely different property market to the one we see today. Once flourishing neighbourhoods like those in Notting Hill, Camden, Hackney, Lambeth and Southwark were full of properties that lay in disrepair, empty and unused. The squatting movement thrived and councils offered low interest loans and Housing Association Grants (HAGs) if local people took these unwanted and/or unloved properties off their hands. Local government supported co-operatives financially because they saw how, when people formed co-operatives, they were able to bring life back to these communities at little or no cost to themselves. Today there are now approximately 150 housing co-operatives in London providing tenant owned and managed homes to approximately 20,000 people. The co-operatives have done their bit, providing an essential service to London by offering low-cost high quality homes to people who can't or don't want to buy their own homes. The key difference is that they now find themselves surrounded by a private sector where the average rent can be 72 per cent of someone's income and the average home can cost over £1 million.

*'I love being part of a close community and being in control of my own housing. It gives me security and a sense of ownership. The low rent allows me to stay in London and I feel settled and embedded in my local community. I'm no longer in a constant state of transit.'*



## 2.1 The Difference between Co-ops and Housing Associations

Many people assume that social housing in the UK is either provided by local councils or housing associations and that fully mutual co-operatives and tenant management organisations are just smaller versions of housing associations. Or they might think that housing associations are also co-operatives, just on a larger scale. It is true that many housing co-operatives are registered social landlords (RSLs). This means they have agreements with their local council to offer at least 50 per cent of their tenancies through council nominations. However being a co-op tenant is very different to being a tenant of a housing association.



Palm Housing Co-op, Waterloo  
Photo: Claudia Firth, 2017

Over the next two pages we set out some of the main differences between housing co-operatives, associations and council properties.

Note on Maintenance section: Planned changes to the way the government allocates support for management and repairs is likely to have a dramatic impact. For example the current protection is worth £8 million a year to Camden Council or £330 for each tenant. If this were lost, it would mean councils will struggle to carry out essential repairs and maintenance.



Table compiled with help from Rizwan Siddiqui at Camden Council and Greg Robbins, Secretary London Federation of Housing Co-ops.

|             | Housing Co-operative   | Housing Association   | Council  |
|-------------|--|---|--|
| Size        | With the exception of tenant controlled Community Gateway models, 80% of co-ops offer less than 100 homes, often in a single apartment block or row of terraced houses | While some started as small organisations serving a particular community, today most have merged and often manage hundreds or thousands of homes referred to as 'units'   | Usually between 10-30,000 units ranging from studios to 5+bed houses. E.g. Camden has just over 23,000 'units' mostly flats or maisonettes |
| Location    | Generally founded by local communities for local communities – in London they are often in Zone 2/3 boroughs that suffered from housing neglect in the 1970s           | As they have grown in scale HAs tend to operate across boroughs, regions and the UK   | Mostly within a specific borough, although some councils fund and hold nomination rights to units outside their borough                    |
| Management  | Managed by tenants themselves who form a committee based on unpaid labour and employ a small number of staff such as housing manager, an accountant and caretaker      | Managed by a large team of professionals, answerable to a board and paid as employees who are sometimes based in offices in a different location to the homes they manage | Managed by the housing department of the local council responsible to Cllrs and local district committees made up of tenants               |
| Rents       | Increases need to be in line with the Homes and Communities Agency but final decision made by tenant members based on the cost of running and maintaining their homes  | Set by a management board in line with regulatory advice from the Homes and Communities Agency  | Set by government guidance   |
| Allocations | Nominations from the local council, plus option to make their own allocations based on internal and external registers   | Nominations from the local council, plus option to make their own allocations based on internal and external registers  | Nominations from the local council   |





|                           | Housing Co-operative   | Housing Association  | Council  |
|---------------------------|--|--|--|
| Maintenance               | Housing manager, working parties, tenant run management committee who employ contractors and surveyors. Small jobs carried out by members and staff themselves | Separate maintenance departments, with their own Directors/Asst Directors. Some are a separate entity to the main organisation | The Department of Communities and Local Government (DCLG) is planning to reduce the money it provides to some inner London authorities to protect them from the effects of a new funding system it implemented in 2004 |
| Management Costs          | 10-20% of rental income  | Generally calculated per unit  | Not given  |
| Environmental Credentials | Sanford Co-op and many other co-ops encourage sustainable living   | HCA guidance on sustainable living and building regulations compliance with agreed environmental standards                     | Building regulations compliance for new builds   |
| Tenancies                 | Secure, if managing council property, else assured or contractual (e.g Short-life)   | Secure, Assured shorthold, Assured periodic  | Secure   |
| Rents                     | Social (some Affordable)   | Affordable, Intermediate, Social, Help to Buy, Shared Ownership  | Social, Intermediate Affordable  |
| Regulator                 | Homes and Communities Agency if registered, or DCLG if managing council property   | Homes and Communities Agency   | Local Govt Ombudsman   |
| Status                    | Voluntary/Charitable   | Charitable   | Public sector  |
| Profit                    | Minimal but always invested back into property   | £2bn nationally 2013 (up from £203 million in 2009), 50 per cent of which is diverted into other commercial activities         | HRA surplus reinvested into housing stock and separate to Council tax receipts   |
| Right to Buy              | No   | Yes  | Yes  |
| Eligibility               | In housing need, via external list or council nomination   | In housing need, via external list or council nomination   | In housing need, local resident or council nomination  |

## 2.2 Calculating the Value of Co-ops

The key points for this report are that unlike other social landlords, housing co-operatives function using democratic control. This means they answer to their members. Their small size means they are flexible allowing them to meet the housing needs of specific and diverse groups for whom home ownership might be unachievable, or undesirable: young people, different ethnic groups, older people, women, LGBT community and so on.

Because housing co-ops rely on member participation, their costs are low which in turn means they can set low rents and service charges. However this means it is a challenge to calculate their true economic value. Housing associations do not expect or rely on tenant participation, are run by a board, and employ a much larger staff to manage their properties. Their rents are reinvested in other activities and must cover the costs of all the extra administration required.

Despite being categorised as social landlords, most local councils and housing associations in London are selling their housing stock, entering into new partnerships with for-profit property developers and gradually replacing their social rents with the far higher intermediate and 'affordable' rents. Housing co-operatives have retained their social value because they generally offer only one form of tenancy to their members, the tenancy is more secure and all tenants are treated equally. There is no need to offer individual ownership (Right to Buy) when members already own the co-op collectively. Mutual benefit rather than profit is the aim so rents can be set against real costs, not inflated market rates.





### **WHO WANTS TO JOIN OR SET UP A CO-OP IN LONDON?**

Alexandra Johnston does. She is 29 and lives in Hackney.

Alexandra is a recent Masters graduate in Social Justice and Education, and currently Outreach Intervention Officer at a local girls school where she also holds the role of Deputy Designated Safeguarding Lead. She lives in a flat share with her partner Fraser and three other young professionals. Alexandra feels strongly that she should live in the community she works in.

'I saw the holes in the community I could fill. It is essential that I live in the community I support. It gives me legitimacy.'

Alexandra is one of the luckier tenants in London because her landlord has kept her rent relatively affordable but she doesn't know how long that will last. Soaring rents threaten to price Alexandra out of Hackney, away from the community she loves and has dedicated her career to. Housing insecurity impacts on a whole new generation in terms of their vocation. It prevents personal aspirations. It prevents young people starting a family and building their lives. People get stuck, unable to plan their lives.

'I'm impatient to foster and potentially adopt. Hackney has a supportive foster programme I'd love to utilize it but I can't do this in a flat share.'

A housing co-op would be ideal for Alexandra and Fraser. 'A co-op would offer us security. The rent I pay wouldn't go into private hands, it would benefit the collective I lived in. I do not want to own my own property and renting privately is unaffordable and insecure.'



### 3. CO-OPS AND OTHER COMMUNITY-LED PROJECTS

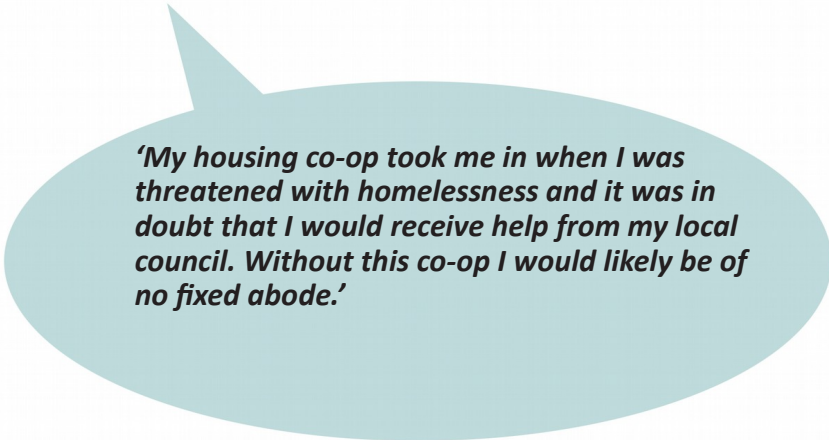
Co-operatives in the UK come into their own at moments of economic crisis when governments and the private sector fail to provide people with the basics of affordable food and accommodation. However we all know that London today is very different from London in the 1970s. The key challenge for new housing co-operatives is not the lack of enthusiasm, it is the high price of land in London which has caused property prices to rise exponentially. In this section we will cover some of the new solutions being found to overcome this challenge.

#### 3.1 Community Land Trusts

Community Land Trusts (CLTs) are a form of community-led housing based on common ownership of land though they often include the management of other assets such as shops or agricultural land. While the current term and structure is based on a model developed in the US during the civil rights movement of the 1960s, the principles of community land ownership can be traced back to the Chartist movement who tried to enfranchise working class people through the redistribution of land. In the late 19th century social reformers like John Ruskin the art critic and Octavia Hill, the founder of the National Trust, used a form of community land trust to set up social housing in former 'slums', while the founder of England's garden city movement Ebenezer Howard incorporated elements of community land ownership into Letchworth.



Heathview Open Day  
Photo: Debbie Humphry, 2016



***'My housing co-op took me in when I was threatened with homelessness and it was in doubt that I would receive help from my local council. Without this co-op I would likely be of no fixed abode.'***

As the activist group Land for What? point out, our housing crisis is really a crisis of soaring land prices. CLTs protect the land from being sold because ownership of the land is held in perpetuity through an asset lock. It isn't surprising therefore that Community Land Trusts are the fastest growing form of communal land ownership in England with half of the 225 CLTs in England registered in the last two years. While CLTs can be used to provide housing they differ from housing co-operatives because it is often the land that is held in trust while the properties are sold (albeit at reduced prices). In addition you don't have to live in a home provided by a CLT to buy shares and become a member.

The most common way to set up a Community Land Trust is via the establishment of a charity or a Community Benefit Society (ComBen). Land is then gifted or bought by the ComBen or charity. Next the CLT needs to create a team which usually includes a sub-contractor, or custom-build facilitator, an architect and a project manager to manage the development. This is usually carried out in partnership with either a housing association and/or a developer. Other ways to acquire land can be via local authority Section 106 agreements that are in place to ensure affordable housing is provided by developers. The residents as buyers or tenants need only pay for the cost of building the house, with priority given to local people in housing need.



CLTs can also be used to provide other community facilities such as shops, pubs, bakeries, woodland, even energy, food and social/cultural services. But as a community business any surplus is used to benefit that community.

Examples of Community Land Trusts in the UK include crofters in Scotland who have bought land from absentee landlords to form the Isle of Eigg and Isle of Ghiga Trusts. In England the villages of Stonesfield in Oxfordshire and High Bickington in Devon have used CLTs to create affordable housing for the local community. Meanwhile in London, East London CLT which is now part of London CLT, have successfully developed 23 homes on the site of St Clements Hospital in Tower Hamlets. Other CLT housing projects include StART in Haringey and the Rural Urban Synthesis Society (RUSS) in Lewisham.

### **3.2 Mutual Housing Schemes**

Mutual Home Ownership (MHO) is a form of tenure that is designed to protect the cost of homes from market prices because tenants pay for the build costs but not the land. They are often used in conjunction with CLTs. They might also be used in community housing schemes which are the product of large scale voluntary transfers (LSVTs) from council stock, such as those in Watford, Bellingham (Lewisham), Braintree and Preston. In most cases while tenants are able to join the management board they are not in the majority. In Wales, Community Housing Mutual societies (CHMs) are becoming increasingly popular. In one case, Merthyr Valley Homes the CHM has recently converted to a hybrid housing co-op. It's called a hybrid because the membership of the co-op includes employees as well as tenants. Similar arrangements are to be found in Rochdale and Salford.



### 3.3 Multi-stakeholder Co-ops

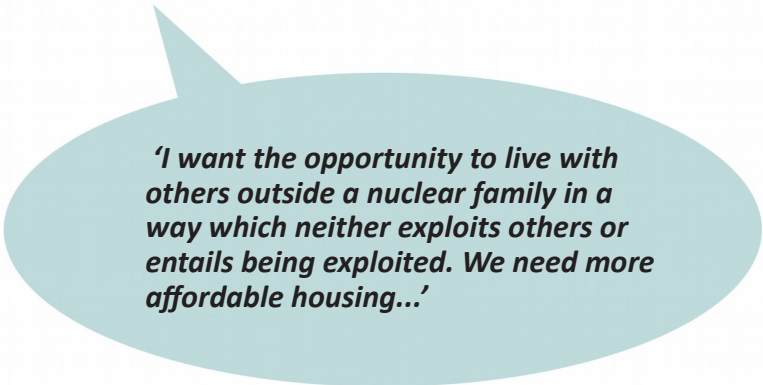
Just like a housing co-operative, multi-stakeholder co-operatives are owned and controlled democratically by a variety of local people who have come together to achieve their shared interests. However in this case, the co-operative diversifies to incorporate a range of enterprises serving the wider community. This means membership of a multi-stakeholder co-operative can include tenants, consumers, producers, workers, volunteers or just general community supporters.

The key features of a multi-stakeholder co-op are:

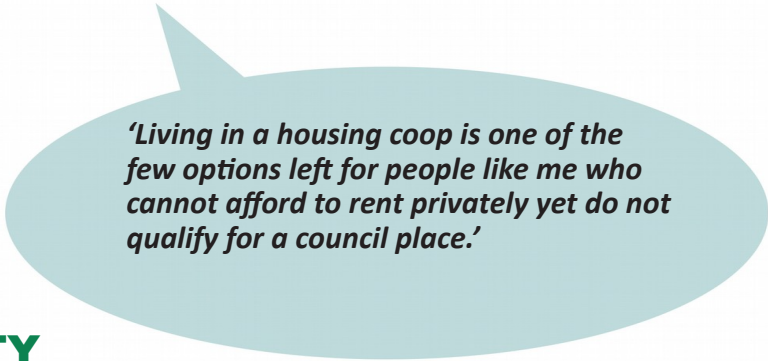
- They are covered by the Co-operative and Community Benefit Societies Act 2014.
- Members may hold more than one share in the co-operative, but voting is limited to one member, one vote.
- They have an elected Board.
- They can include a common ownership or co-ownership dissolution provision.

### 3.4 Co-Housing

Often mistaken for co-ops, co-housing projects are most commonly developed by and for retired people. Examples include the Older Womens Co-housing group in Barnet though some incorporate an intergenerational community. Co-housing initiatives are usually led by people with access to significant resources from being homeowners. Currently these projects need to be negotiated with local authorities and housing associations and can take years to develop as they are stymied by lack of institutional support (for example Cohousing Woodside who got priced out of their venture in Muswell Hill).



*'I want the opportunity to live with others outside a nuclear family in a way which neither exploits others or entails being exploited. We need more affordable housing...'*



*'Living in a housing coop is one of the few options left for people like me who cannot afford to rent privately yet do not qualify for a council place.'*

## 4. CO-OPPORTUNITY

So far in this report we have looked at the history of housing co-operatives and how they have developed to play a small but significant role in the UK's social housing. We have also briefly looked at some of the more recent co-operatively inspired models and frameworks that local communities are developing in London and across the UK to help in the fight against unaffordable housing. While some of the examples given in the last section differ in approach from mutual housing co-operatives, all of them share a basic principle: unlinking the value of the housing that is built (use value) from its potential market value (exchange value). In other words, building real homes not 'units'. These frameworks and principles are important because they acknowledge the social value of communities; and because homes and land in London need protection from speculative investors who buy and sell property purely to extract a profit.

### 4.1 Broken Promises

Housing co-operatives exist to serve local communities and as such nearly all major political parties support them. For example Boris Johnson was very enthusiastic about housing co-ops and CLTs in his 2008 Manifesto Build a Better London:

New schemes should be operated by not-for-profit housing cooperatives, allowing residents a greater say over their area. These are proven to build stronger communities, reduce crime, and improve quality of life. (p.3)

We propose to sell the land to Community Land Trusts (CLTs). CLTs are non-profit, tax-exempt, and open to all members of the local community, and are democratically owned and controlled by key stakeholders.... CLTs do not usually manage housing units themselves. This would normally be done through a mutual housing organisation (a cooperative), which can either lease the land or become a shareholder in the CLT. Housing cooperatives are already operating in London, and they would be open to work

on this initiative.... We want to accelerate housing supply to cooperatives because they help build stronger communities. (p.10/11)

Cooperatives will be able to access social housing grants to build affordable units, as currently happens. (p.11)

Under our proposal, we would match the original costing to deliver 50,000 affordable homes by 2011, with the £130 million surplus being made available to cooperatives. (p.12)

Boris Johnson used evidence for his support from a report by PriceWaterHouseCoopers:

Cooperatives are cost-effective, and produce better results for residents. An evaluation by PriceWaterHouseCoopers demonstrated that tenant management organisations are able to produce significant and worthwhile benefit and superior value for money. In 2006, Oxford Brookes University found that tenant management organisations (or TMO, another form of cooperative) in the UK were equal to or surpassed the top 25% of local authorities in England in terms of repairs, lettings, rent collection and tenant participation. It concluded that improvements in the area's appearance and to the quality of life of residents were some of the main achievements creditable to the TMO. DCLG/Oxford Brookes University, 174: Tenant Management: evidence of TMOs in England, May 2006.

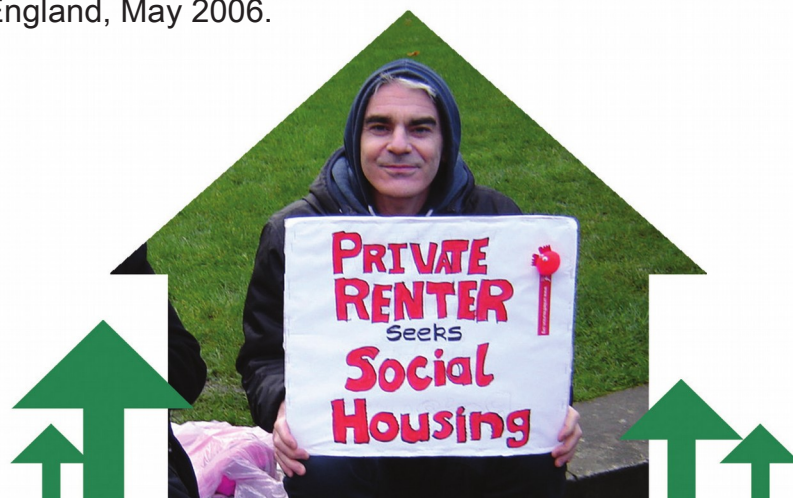
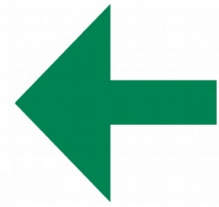


Photo: Liz Lual, 2016



Sadly by the time the 2010 Housing Strategy was published there was little or no reference to co-ops. Sadiq Khan is now our Mayor and has promised to make housing his priority. Yet co-operatives are still rarely mentioned directly and there is little direct government support for them. Everyone agrees housing co-operatives are a good idea, so why are there so few in the UK compared to Canada, Germany, Norway and Denmark? Without real support co-operatives cannot thrive. Below are some of the key challenges housing co-operatives face today.

## 4.2 Problems and Solutions

### PROBLEM 1

Existing Co-ops are excluded from the custom build register. The Housing and Planning Act encourages 'custom build' developments and interested groups are asked to register with the local authority. However currently only new community groups and co-ops can register.



Heathview Co-op Open Day  
Photo: Jessica Jacobs, 2016



Let existing and new housing co-operatives and CLTs build housing. Existing co-operatives can mentor new co-operatives. Established housing co-operatives can negotiate and develop projects within our specific boroughs but also share resources and skills across boroughs (e.g. Catalyst Collective has been important as well as Radical Routes Network in supporting new co-ops).

#### EXAMPLE

In 2006 a group of six Liverpool housing co-ops got together and formed their own management consortium, NW Housing. It is a mutual, not-for-profit company totally owned by the co-ops, that services most of the co-ops in Liverpool and a few other social housing bodies. The advantages include:

- Control: co-ops would own and ultimately control the company, ensuring we are always the priority.
- Money: the co-ops save money. Owners of the consortium are VAT exempt. So, as well as profits ploughed back, the co-ops do not pay VAT on their management fees.

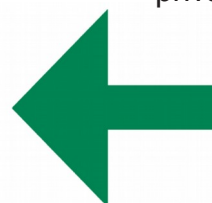
#### PROBLEM 2

Market prices dominate housing decisions

New homes need land. The GLA, local councils and private landowners all have land – potential sites are easily searchable on the GLA and TfL database. However, the provision of land for homes is skewed by market imperatives. Community group building initiatives are not easy to assess in a private development context. While a local council or TfL might have an idea of a price per unit of £150,000 – they could actually be built for less by many community groups.

#### SOLUTION

Prioritise community-based building projects and give them the means to deal directly with councils and landowners, acknowledging their ability to build homes at a lower price than private for profit developers.







### PROBLEM 3

Viability requirements disadvantage low cost initiatives  
 Another hurdle is the viability stage. This stage is detrimental to community groups because it requires that developers state a total cost that is more than it would actually cost (they overestimate the costs so that they can then offer to complete the job for less).

### SOLUTION

Give community groups an opt-out of the viability stage.

### PROBLEM 4

Co-ops can't pay market rates  
 Housing costs money and the private sector model dominates the housing market, leading to a pricing of land that excludes co-ops because they do not rent their homes at market rates.

### SOLUTION

Give co-ops land at a low fixed price – by modelling their social value into the costing. Use and improve existing financing models, but also allow new financial models to develop. Existing models include rootstock (loanstock) financing which allows co-ops that have a surplus to invest in new co-ops. However, while established co-ops are now coming to the point where they are paying off mortgages and have capital available to support new ones, they do not have the land. It is starting to happen outside London (e.g. Kindling Co-op, a new housing co-operative in Oxford are asking other co-ops to become short and long term investors by buying loanstock at an annual 3 per cent return). The Charity Bank will loan money to co-ops that can raise 25 per cent of the project. Why not more banks? Or another option is for developers to wait for payment of properties once they are ready to let ('Turnkey' properties).





### 4.3 Key Proposals

We don't want words of support, or to be relegated to a community hub, but real legal and financial commitment to more housing co-ops in London. This can be achieved by:

#### A CHANGE TO POLICIES AND LEGAL FRAMEWORKS

Commission an inquiry into the prospects and appropriate legislative and financial framework needed to encourage a step change in the number of housing co-operatives in London.

- Neighbourhood Planning Forums are perfectly placed to facilitate the development of co-operative forms of housing especially because rules under the Localism Act 2011 include the Community Right to Build, which can help CLTs through the planning process and the Community Right to Buy can help co-ops obtain funding
- Review current planning rules that currently hinder co-ops and CLTs from developing housing
- Drop 'affordable' rent and make housing social via a calculation of 'social value' not just financial value.

#### A FUND TO HELP ESTABLISHED AND EMERGING CO-OPS

- Grants and loans to allow new and established co-operatives to buy land and build homes
- Grants for co-ops to establish mentoring links between new and established co-ops based on location and the availability of land and buildings for development
- Support a network that helps to bring community-led housing groups together – co-housing, CLTs, co-ops, Just Space etc.

#### A CONNECTION BETWEEN CO-OPS, COUNCILS, CONTRACTORS AND PROPERTY DEVELOPERS

- Ring-fence a proportion of public land as social land that can be used to build homes let at a social co-operative rent
- Invite co-ops to join housing development teams. Particularly when it comes to housing projects that involve registered charities such as the Canal & River Trust, local councils, TfL, and Network Rail (see box).



### **CO-OP PROPERTY PARTNERS**

Currently some of the most promising sites belong to our transport network providers:

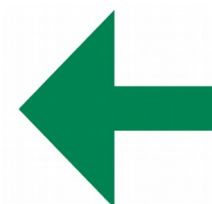
TfL has 250 sites earmarked for development covering 5,700 acres with a remit to provide 10,000 mixed tenure homes in the next four years. TfL have to provide 'value' interpreted as revenue, but as they are a social enterprise, value includes the common good to the community where their stations are located.

Fifty per cent of these homes have to be 'affordable'. While most of the land is slated for development with large property developers (Land Security, British Land, Stanhope etc.), they also have 50-100 much smaller sites near stations that will be challenging or not appealing to big developers. Many of these sites will be very suitable for co-ops and CLTs.

Network Rail Land – is in a similar position and has a similar number of sites for housing development in London (250 sites).



Mulberry Housing Co-op  
Waterloo  
Photo: Claudia Firth, 2017



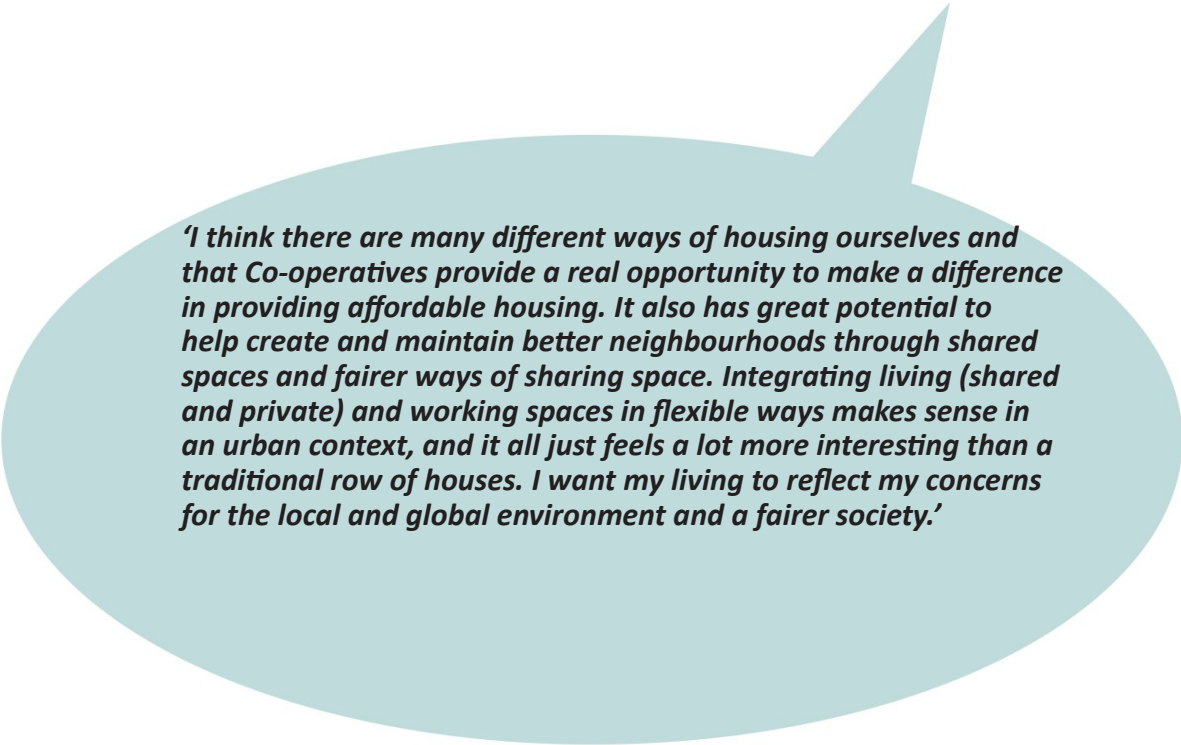
## 5. CONCLUSION

This report has been written because co-operatives are a good idea for London. They deserve better treatment from politicians who have used the idea of a co-operative to get votes from people who have no chance of secure homes, before quietly removing all mention of them from housing plans.

Co-operatives are far from perfect. This report is not an exercise in nostalgia or a presentation of co-operatives as a form of idealised society. We live in co-ops and know their problems and that they are not for everyone. For one thing they require a level of commitment that some would balk at. As small communities, co-operatives can become too introspective. Some co-ops have failed partly because of financial mismanagement but also because they demanded too much of their members and they can have difficulty in passing the intergenerational test too.

Having said that, co-operatives are still a far better housing model than luxury penthouse flats sold to investors. Co-ops don't just build units, they build homes and communities by relying on participation and offering democratic control. If they are to succeed in today's London they need real investment and procedural and legal support. Local councils, the Mayor and the GLA, and organisations like TfL, Network Rail and the London Canal & River Trust need to spend a bit less time with for-profit housing developers and a bit more time with community builders and co-ops.

The imperative for all public sector land is to get best value from land. In the case of homes in London 'best value' is not just the market value when it is sold to the private sector; we need to consider the long-term value that only permanently low rent housing can provide. If the government, the GLA, TfL and Network Rail can provide the sites and funding, existing and newly formed housing co-operatives (with Community Land Trusts) will be able to build genuinely affordable homes for Londoners and provide best value for London.



***'I think there are many different ways of housing ourselves and that Co-operatives provide a real opportunity to make a difference in providing affordable housing. It also has great potential to help create and maintain better neighbourhoods through shared spaces and fairer ways of sharing space. Integrating living (shared and private) and working spaces in flexible ways makes sense in an urban context, and it all just feels a lot more interesting than a traditional row of houses. I want my living to reflect my concerns for the local and global environment and a fairer society.'***

That land and those homes will prosper and give back the original cost tenfold. Communities will not be displaced, but allowed to carry on contributing to the cultural production of London. Creating a Community Land Trust with housing co-ops on it would also allow for mixed use developments that could create value of different kinds in addition to housing, such as shops, small business, light industry, artists' studios and so on. This would offer opportunities for real community building with advantages including better governance, involvement of residents, and lower running costs.

Community Land Trusts are one way to ensure that housing is protected from the vagaries of the marketplace but they are not the only way and their structure will vary from scheme to scheme; diversity is the essence of mutuality. Multi-stakeholder ownership is also a stable and sustainable structure. If local housing co-ops wish to be involved, this could potentially create vibrant mixed use developments that are directly responsive to local community needs.



London's housing problems are huge and co-ops will never be the only solution. More social housing in general is the solution. But co-operatives have been overlooked. It won't take much. The housing co-op model and management structure is already in place. It has a great heritage. Our housing is efficient, low cost, innovative, environmentally friendly and forward thinking. The co-operative structure is flexible enough to offer a community for everyone whether they are families, single, disabled or older. They are a model that can fit people in council housing who would like more control of the management of their homes, affluent elderly people seeking specially designed retirement housing, people on precarious incomes struggling to get by, young professionals just starting out, and of course our key workers like teachers, nurses and public service workers. These are the people that make London the unique city it is. We can't afford to lose them.

You can find information about how to go about setting up a housing co-op and all the steps involved from Radical Routes: <http://www.radicalroutes.org.uk/publications-and-resources.html>



Members of Brixton Housing  
Co-op, Railton Road  
Photo: Lesley Hilling, 2016





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Bringing Democracy Home, Edited by Nic Bliss Commission on Co-operative and Mutual Housing (CCMH) 2009

Home Truths for Barnet: Housing Challenges for an outer London Borough, 2016. In particular Chapter 8 by Glyn Thomas

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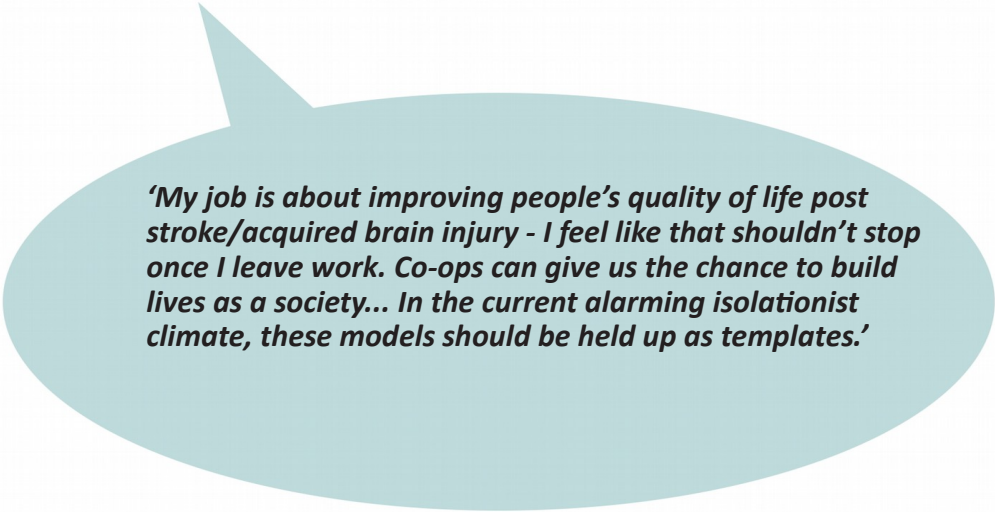
Tenant Management: evidence of TMOs in England, DCLG/Oxford Brookes University, May 2006

The Business Case for Affordable Housing, Centre for Economics and Business Research (Cebr) July 2016

'They take us very seriously now': how co-operatives could take back Kampala, by Alice McCool The Guardian 29 March 2017

*'I don't believe in owning land, I want freedom to decide where my rent money is spent (not making land owners wealthier). I want security in my home. I intend to foster, and provide housing for refugees and cannot do so in my current housing situation. I want to contribute to my community.'*





*'My job is about improving people's quality of life post stroke/acquired brain injury - I feel like that shouldn't stop once I leave work. Co-ops can give us the chance to build lives as a society... In the current alarming isolationist climate, these models should be held up as templates.'*

### **Definition of Community Land Trusts**

The legal definition of a Community Land Trust is set out in Section 79 of the Housing and Regeneration Act 2008 as follows:

A CLT is a corporate body which

1. Is established for the express purpose of furthering the social, economic and environmental interests of a local community by acquiring and managing land and other assets in order:

- to provide a benefit to the local community;
- to ensure that the assets are not sold or developed except in a manner which the trust's members think benefits the local community.

2. Is established under arrangements which are expressly designed to ensure that:

- any profits from its activities will be used to benefit the local community (other than by being paid directly to members);
- individuals who live or work in the specified area have the opportunity to become members of the trust (whether or not others can also become members);
- the members of a trust control it.



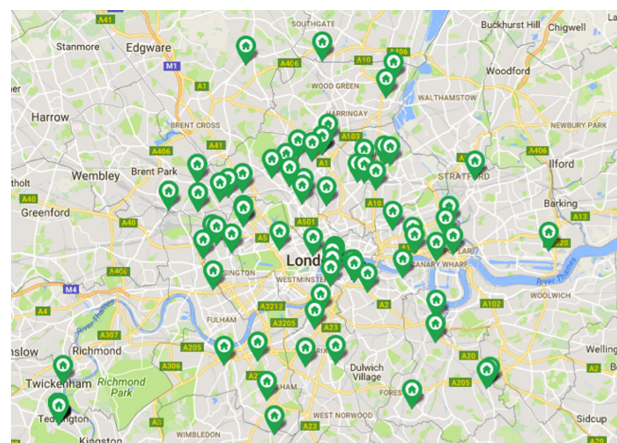
## 7. APPENDIX

### Community Housing in London

Notes:

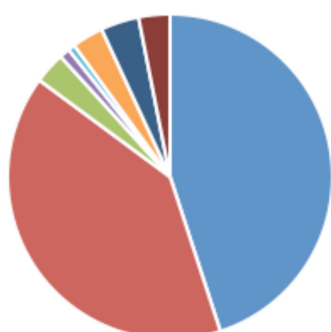
1. The London Federation of Housing Co-operatives (LFHC) has 267 co-ops on its database.
2. The Building and Social Housing Federation (BSHF) lists 775 community managed housing organisations nationally, of which 289 are in London. Most are either housing co-ops that own the property / have long-standing lease agreements or else they are tenant management organisations which manage council properties under a management agreement. However they also include community gateway, co-housing and community housing association groups which are not on the LFHC database. The oldest were founded in 1976. At least 17 do not yet have any properties, though some such as Brixton Green, Leathermarket and RUSS have live projects at planning or construction stages.
3. Tenant management organisations (TMOs) tend to be larger and comprise 62 per cent of all tenant controlled housing across London. There are 116 TMOs in local authorities with an estimated 42,203 units (both tenanted and leasehold, but reliable figures do not exist).
4. There are nine organisations listed as housing association management co-ops (HAMCs), but these include two former council TMOs that transferred to a housing co-op (WATMOS), rather than a housing association.
5. There are two community gateway organisations, Phoenix and Watford (5,832 and 5,000 properties respectively).

Housing co-operatives in London. They are most common in Zones 1-3  
Source Housingnet.co.uk



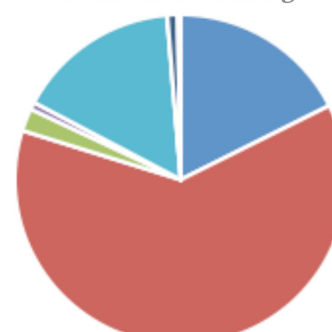
These pie charts show the breakdown of the number of different types of community controlled housing in London and how many properties they hold.

Numbers of each Type of Community Controlled Housing Organisation



■ Ownership/Long leases  
■ TMO (Council)  
■ HAMC  
■ Self Help/Shortlife

Proportion of Properties Controlled by Each Type of Community Controlled Housing



■ Ownership/Long leases  
■ TMO (Council)  
■ HAMC  
■ Self Help/Shortlife

### Co-operative Housing

|                       | #   | Units   | Avg   | %   |
|-----------------------|-----|---------|-------|-----|
| Nationally            | 775 | 131,028 | 169   |     |
| London                | 289 | 67,911  | 235   |     |
| Ownership/Long leases | 130 | 11,981  | 92    | 18% |
| TMO (Council)         | 116 | 42,203  | 364   | 62% |
| HAMC                  | 9   | 1,499   | 167   | 2%  |
| Self Help/Shortlife   | 3   | 481     | 160   | 1%  |
| Community Gateway     | 2   | 10,832  | 5,416 | 16% |
| Co-Housing            | 9   | 31      | 3     | 0%  |
| CLT                   | 11  | 663     | 60    | 1%  |
| Other                 | 9   | 221     | 25    | 0%  |

Data supplied by BHSF and Greg Robbins, Secretary, London Federation of Housing Co-ops, February 2017.



## 8. CO-OP STORIES

Many of London's housing co-operatives grew out of the housing crisis in the late 1970s and early 1980s. Below are three short stories.

### **Grand Union Housing Co-operative London E2**

The Grand Union Housing Co-operative is a triangular block of terraced houses surrounding a garden in Bethnal Green, Tower Hamlets. In the late 1970s the houses had fallen into neglect but then were squatted and made habitable. Despite two attempts at eviction, the residents remained and successfully established Grand Union Co-operative in 1977. Today it has around 140 members in 50 properties. The north side terrace of the triangular block runs parallel to Victoria Park. Grand Union Co-op is supposed to be named after the canal it runs along. However this canal is actually the Regent's Canal.

### **Heathview Tenants Co-operative London NW5**

Heathview Housing Co-operative is a mansion block of 55 studio, one, two and three bedroom apartments just across the road from Parliament Hill Fields and Lido in north London. It was built in the late 1930s and was originally used by Legal & General to provide accommodation for its staff. However they later sold it on and in 1976 the new owners announced they would sell the building, leaving its tenants facing eviction. Several of the tenants were still legal staff so used their expertise to help the tenants join forces and in 1977 they voted to form a tenant's co-operative so they could buy the building with the help of a grant from Camden council. Today they are a registered social landlord and 50 per cent of vacancies go to nominations from Camden Council. Like many co-ops Heathview hasn't been able to open its external list for many years because it would not be able to cope with the number of applications. Like Grand Union Co-op, Heathview is celebrating its 40th Anniversary this year.

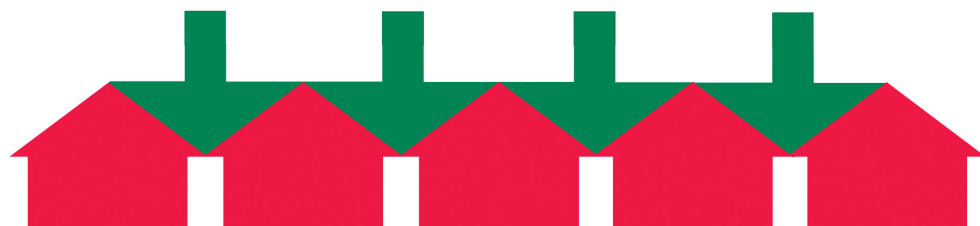
### **Coin Street London SE1**

Coin Street is a good example of a thriving mixed use development. On London's South Bank it comprises four housing co-operatives on a 13-acre site as well as shops, restaurants, galleries and design studios. The land also includes Bernie Spain gardens and a riverside walkway. The land is owned by Coin Street Community Builders (CSCB), a company limited by guarantee and a social enterprise. CSCB was set up by local residents in 1984 following seven years of campaigning and two public enquiries against office developments that were proposed for the site. They were able to purchase the land by working with local borough councils and the GLC to institute planning controls, limiting its commercial value. CSCB borrowed money to finance the deal including a combination of funding from the GLC and the Greater London Enterprise Board, as well as private mortgages.

CSCB also set up Coin Street Secondary Housing Co-operative (CSS), and a charitable trust, Coin Street Centre Trust (CSCT), each with different roles. The charitable trust oversees the family, community and sports centres in the area. The Secondary Housing Co-operative is a Co-operative and Community Benefit Society (formerly Industrial and Provident Society) registered with the Homes and Communities Agency as a social landlord. This body oversees the four housing co-ops on the site, Mulberry, Redwood, Palm and Iroko. Each co-op has a different mix of housing, catering for single people, couples and families.



Photo: Claudia Firth, 2016



## 9. ABOUT THE CONTRIBUTORS

Most reports on housing are commissioned or produced by mayors, think tanks, umbrella groups, NGOs or local government organizations. In the true co-operative spirit this report was written, researched and produced directly by tenant members:

Jessica Jacobs with contributions from Claudia Firth, Emily O'Mara, Glyn Thomas, Greg Robbins and many others.

Thanks also goes to Daniel Madav for his contributions on Community Land Trusts and Paul Wheeler for presenting 'Opportunities for housing co-operatives; post London Mayoral elections 2016' and encouraging the writing of this report.

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Note: Throughout this report the term housing co-operative has been taken to mean co-operatives which own and manage their properties, that is, fully mutual co-operatives in which all tenants are members of the co-op and all members, tenants. With ownership here meaning all members own a £1 share in the co-operative. This is because co-ops need to be secure so we wish to promote co-operatives that allow tenants to enjoy the collective ownership and management of their property and land.

Our proposals support the work by the London Co-operative Housing Group, London Federation of Co-operative Housing, Bringing Home Democracy, National Community Land Trust Network, Radical Housing Network, JustSpace, Land for What? and the New Economics Foundation.

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Based on the original banner design by Barley Massey

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A large red silhouette of a house with a triangular roof and a rectangular base, centered on a light blue background.

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