



International Cooperative Housing

Lessons for the United States

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Master of Urban Planning 2015
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Cooperative housing has proven to be a successful housing model, particularly in providing affordable housing, stabilizing and encouraging mixed-income communities, and serving as an ownership vehicle in markets that are underserved or lack mature financial infrastructure. Despite its positive record, the model has not been favored in the United States where individual ownership of property and subsidized affordable renting are the primary policy frameworks. This article describes the cooperative model and its benefits, followed by a description of Sukumar Granapati's framework created in his analysis of cooperative housing models in Sweden, India and the United States. Studies of Australian and Canadian cooperative histories along with a breakout of the New York City market test the applicability of Granapati's analysis to different markets. Finally, I highlight common threads supporting successful cooperative housing markets.

Recovery efforts following the 2008 collapse of the housing market have focused on shoring up and restoring the home mortgage market. Intense actions to remove bad assets, tighten credit, and untangle implicit public guarantees from the mortgage market are being pursued. Unfortunately, none of these reforms get to the root of why low- and middle-income families used sub-prime loans to enter the housing market. Prior to the housing collapse, low-interest rates and sub-prime loans were touted as “new financial tools” helping previously underserved households to build wealth through housing (Chomsisengphet and Pennington-Cross, 2006; Tishman, 2007). The current mortgage reforms may restore mortgage stability at the cost of returning these families to an underserved situation with even fewer choices. In order to serve these households, options need to be expanded, and one option that US housing policies and private markets have left underutilized is cooperative housing.

Cooperatives are a home-ownership vehicle widely used outside of the US and in a limited number of US cities and states. Studies of communities in Toronto, New York City, Washington DC, and Chicago have shown that the benefits of cooperatives include lower cost housing options, greater community involvement, longer tenure, flexibility in operations, finely grained household income mixes, and lower crime and vandalism rates (Cooper and Rodman, 2000; McStotts 2004; Miceli, Szama and Sirmans, 1994; Saegert and Benitez, 2005). However, despite this list of benefits, cooperative housing makes up only 1% of the total US housing market, focused in New York City and small areas in New England, Washington DC, southeast Michigan, Chicago, Wisconsin, and Southern California. This percentage pales in comparison to global numbers that include 17% in Sweden, 15%-10% across Europe, and 11% in India (Ganapati, 2010; ICA 2012).

Research Framework

This paper started as an effort to understand how cooperatives withstood the 2008 foreclosure crisis. The goal was to see if cooperatives provided more stable housing options for households than the home mortgages that were at the center of the crisis. It quickly became clear that the limited size of the US cooperative market translates to limited data: data that is often part of small, localized studies, spread over a wide time frame, and difficult to compare. The questions then became: why are cooperatives underutilized in the US

market, and what could be done to increase their presence? This paper describes the cooperative model and explores how different types of cooperatives provide affordable housing; provides a brief history of US cooperative housing and its place in national housing policy; and, lastly, uses a series of international case studies to pinpoint policies, public and private market supports, education and cooperative associations that may increase cooperative market share in the US.

Findings and Recommendations

Having a large, viable, and diverse cooperative market in the US will help connect supply and demand within the housing market. With sustained private and public investment, more housing options will serve more families and could provide greater stability to the whole housing market. For housing advocates trying to expand affordable housing availability through the use of housing cooperatives, this article highlights a need to build and balance public and private investment concurrently. There are three core actions that will help to create this policy/private-market balance. First, leverage policy at all levels. Changing federal priorities of existing programs and allowing cooperatives access to existing funding pathways is crucial. Additionally, strengthening or adding preferential tax and administrative support systems at the state and city level will allow for flexibility to meet local conditions. Second, build knowledge from within. Successful cooperative ownership occurs in a “cooperative culture” where members understand the benefits and responsibilities of joint property ownership and management. Growth of the sector will not occur without creating a base of ownership skills; a strong public and private knowledge and technical support system is needed to provide aid to individual communities. Third, be broad. Throughout these examples, the most stable cooperative environments are diverse, both in purpose and in structure. Market-rate and subsidized cooperatives should be encouraged to connect with each other and reach out to cooperative corporations outside of the housing market. This broad reach increases public awareness, creates networks of political allies, and insulates cooperative housing from shifts in government policy.

The Cooperative Model and Affordable Housing

History and Principles in Brief

The modern cooperative movement rose in

response to the displacement and changing labor conditions of industrialization in Europe. In 1844 a group of weavers in Rochdale, England pooled resources to purchase basic goods in bulk; they then sold those goods to members at low prices. Eventually membership in the Rochdale Equitable Pioneers Society was open to all with payment of membership fees. The society established a community doctrine, The Rochdale Principles, which still serves as the foundation of the modern cooperative community (Table 1).

In the late 1800s the cooperative model was adapted to address the need for affordable and stable housing in growing industrial cities. The earliest developments were in Berlin, in Stockholm, and throughout England. They spread across Europe and remain particularly strong in Central Europe, Sweden, and Norway. Globally, the periods before the First World War, and between the First and the Second World War, saw consistent and stable growth (Ganapati, 2010; Sazama, 2000; Siegler and Levey, 1986). Continued industrialization and

cooperative corporation, allowing them to reside on the property. There is usually blanket financing on the whole property, with a variety of possible individual fee structures for members. Common areas and housing units alike are part of the cooperative holdings, and cooperative boards have a strong say in the sale and purchase of cooperative shares (National Cooperative Bank, n.d.).

The Benefits and Pitfalls of Cooperation

The largest difference between cooperatives and condominiums is that most cooperatives follow the Rochdale Principles. In his history of social clubs in New York City Joshua Freeman points out that many of the 1920s New York City cooperatives were founded as social, political, and cultural communities with common facilities including libraries, club rooms, and dining rooms, which provide greater opportunities for member interaction (Freeman, 2002). While the majority of cooperatives are no longer united by union membership, trade, or political philosophies, the sense of belonging is important for members. Many of the benefits of successful cooperative communities stem from the common ownership and consensus-based governance they require.

This type of ownership can also cause problems. Studies in Canada show that tenure rates fall when cooperative boards cannot choose members willing to invest time in the community (Cooper and Rodman, 2000). Further, cooperatives require members to have basic knowledge about the physical and financial needs of property maintenance, and an understanding of consensus building. Successful markets have robust public, private, or community organizations that provide training, advice, or maintenance services. In turn, isolated and “untrained” cooperatives are threatened by collapse, as seen in a study in Washington, DC where the difference between success and failure was often traced to a lack of financial and property management knowledge in the membership (Coalition for Nonprofit Housing and Economic Development, 2004).

Cooperative Types and Affordable Housing

There are two primary forms of housing cooperative: one based in common property ownership, and the other based in finance and development, providing members with mortgages and/or construction services. The type of cooperative operating in a market is a response to local gaps in financial and housing services. In areas with scarce physical housing,

urbanization created housing shortages, and cooperative housing societies filled the void between need and available financing (Abbot and Doucouliagos, 2007; Ganapati, 2001).

Cooperatives and Condominiums

From the mid-1800s through the 1960s, the two primary modes of multi-family residence were membership in a housing cooperative, which allowed an ownership stake, and renting. Condominiums entered the market in the 1960s when they were legally enabled in the US (Bennett, 2011; Siegler and Levey, 1986). They are now the dominant form of multi-family ownership in the US and provide a contrast to cooperatives. Basically, condominium units are individually owned and purchased with personal mortgages. Owners hold common areas jointly but otherwise have little control over the property, including little say in the selling and purchasing of units. Conversely, cooperative members own a share of a

Definition of a Cooperative

A cooperative is an autonomous association of person united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled enterprise.

Principles

- 1 Voluntary and Open Membership
- 2 Democratic Member Control
- 3 Member Economic Participation
- 4 Autonomy and Independence
- 5 Education, Training, and Information
- 6 Cooperation among Cooperative
- 7 Concern for Community

Fig. 6.1 ICA Cooperative Identity, Values, and Principles
source: ica.coop/en

cooperatives form to build housing, and in areas where the mortgage market is immature, cooperatives form to provide financing. Table 2 outlines general cooperative types and the case-study regions where they are dominant.

Nothing in the character of cooperatives makes them specifically affordable housing models; however, cooperatives fill the gaps between need and conventional housing/finance and therefore have developed in ways that create affordable housing. Finance cooperatives provide home and construction financing to underserved populations and often serve working-class households. The cooperative pools the risk and provides a buffer between private banks and households. If the cooperative secures publically subsidized as well as private loans, it can offer financing to members at affordable rates. Australia made use of financial cooperatives before the home mortgage market was mature, and India still uses them to mediate between large banks and local needs (Abbott and Doucouliagos, 2007; Ganapati, 2001).

Limiting equity accumulation creates affordability in property-based models. Tenure cooperatives accumulate equity with property value, and the value of member shares reflects this equity. Prices in private cooperatives mirror general housing values, and members may require private financing, similar to a mortgage, just to purchase a share. Affordability is introduced when equity is limited or eliminated, as in the limited-equity cooperative (LEC) and the non-equity or rental cooperative. In each buy-in, costs and fees are kept low since property value is not being bought and sold. LECs allow for a controlled equity accumulation, usually calculated based on tenure and fee structure. This encourages longer tenure and creates an opportunity for some wealth accumulation. Non-equity developments offer no wealth benefits but differ from subsidized rental housing in their adherence to the Rochdale Principles and the control residents have over membership and management. A mixture of tenure cooperatives makes up the bulk of the Swedish, Canadian, and US markets.

US Housing Policies

Despite its positive record, the cooperative model is not favored in the United States. The lack of support stems from the complicated political balance between liberal and conservative thought about the role of government in the housing market and political suspicion of cooperative ownership versus individual participation in the market (Hays,

1995; Sazma, 2000). Current housing policy focuses on single-family home-ownership through the income tax deduction of mortgage interest and subsidized rental for the lowest income families. Policy favors single-family home-ownership: the tax deduction costs the federal government \$70 billion in lost revenue versus the \$17 billion directly spent on rental subsidies (Fischer and Huang, 2013; HUD 2014). Neither of these options helps working families whose income is too high for subsidized help, and not high enough to qualify in the re-tightened mortgage market.

US Cooperative Development and Policy

The first cooperative housing in the US was built in New York City in 1875. Early ventures provided an ownership option for middle and

Type	Characteristics	Location*
Tenure Cooperative	Cooperative owns housing development; members own equity share	India Sweden United States
Limited-equity tenure cooperative*	Cooperative owns housing development; members own share with limits on equity accumulation.	Sweden United States
Rental cooperative similar-to: Non-equity cooperative*	Cooperative owns housing development; members pay rent to coop regularly without equity accumulation.	Sweden Canada
Finance cooperative	Cooperative provides loans to members for building construction or repairs.	Australia India
Building cooperative	Cooperative undertakes building construction and/or develops land on behalf of members	India Sweden

upper class New York City residents (Sieglar and Levey, 1986). The use of cooperatives for affordable housing began in 1918 when a group of Finnish artisans started the Finnish Home Building Association in Brooklyn, New York. There was no national legislation encouraging or discouraging cooperative development from 1920 to 1950. Attempts to include them in both the 1937 and 1948 National Housing Acts were made but in both cases real estate and home building interests joined with conservative politicians to defeat the efforts (Sazama, 2000). Some progress was made in 1950 with the addition of Section 213 to the National Housing Act. Section 213, which is still in effect, extends FHA loan guarantees to new housing cooperatives. In 1959 rehabilitation and extension loans for existing cooperatives were added to FHA's scope. However, the perceived leftist leanings of unions and housing advocates

Fig. 6.2. Housing cooperative types and location examples. source: Ganapati (2016). * - denotes addition to table by author

in the 1960s and the single-family priorities of the post-war era have kept Section 213 from being fully funded (Sazama, 2000).

Despite anemic policy support, cooperatives continued to be established, during the inter-war and immediate post-WWII era, unions and labor groups successfully sponsored private developments in Detroit, Buffalo, Philadelphia, Chicago, San Francisco, and especially New York City (Siegler and Levey, 1986). Another addition to the cooperative stock came immediately after WWII when the federal government disposed of war production worker housing. Searching for a way to meet the needs of returning veterans, cooperatives were allowed to purchase these properties with subsidized loans if the community included veterans (Sazama, 2000).

The most sustained federal support came in 1961 with the Below Market Interest Rate (BMIR) program. Under BMIR, cooperatives serving low-income families had access to 40-year low-interest federal loans. Cooperatives could use these loans to cover construction and rehabilitation costs when they promised to limit equity accumulation and set new member income guidelines for the life of the loan (Sazama, 2000). This program is the basis for many of the LEC developments that are still found in the United States. The BMIR programs were repealed with the 1974 Housing Act when federal policy shifted toward rental vouchers.

Condominiums, the largest competitor for middle-income, private multi-family development, entered the market in the 1960s. Over time, banks, realtors and the market have shown a strong preference for condominiums. For bankers they offer a defined commodity and risk, loans are smaller and foreclosures on defaults are easier to pursue. Realtors can collect larger fees and provide greater services on the property transfers of condominiums. And lastly, owners can purchase and sell units without a cooperative board's involvement in the transaction. This collection of differences has pushed the market toward condominium development. As of 2007, only 10% of the multi-ownership properties erected in the US were cooperatives (Schill, Voicu, and Miller, 2007).

The last federally supported creation of cooperative housing occurred under the HUD HOPE programs. However, rather than an encouragement of new affordable housing, these programs can be characterized as public housing "load-shedding" (McStotts, 2004). In 1980 the federal government began divesting

itself of public housing developments; for some properties cooperative conversion was used. While this marked a public retreat from affordable housing provision, it increased the number of LECs in the market and allowed many, although not all, residents to stay in their homes and gain an ownership stake. As part of the conversions the federal government provided funds for rehabilitating properties, and the continued success of the cooperatives often depends on their having taken advantage of this inexpensive rehabilitation (CNHED, 2004).

Over the course of the 1990s and 2000s, affordable cooperative housing development has suffered the same fate as all publicly subsidized housing. The 1986 tax reforms that ushered in the Low-Income Housing Tax Credit (LIHTC) have been the main vehicle for low-income housing development in the United States, but the credits are not available to cooperatives. Community sponsors have worked with the LIHTC requirements by establishing "leasehold" cooperatives that function as non-equity or LEC communities. But this is a work-around rather than a demonstration of federal support. During the last two decades, affordable cooperative development has survived on piecemeal assembly of LIHTC and Community Reinvestment funds, and the limited resources available through the National Cooperative Bank and union pension investment (Sazama, 2000).

Coupled with weak and inconsistent public support for cooperative housing is the lack of a strong and independent support service sector. In the US market there are organizations like the National Cooperative Bank, the National Association of Cooperative Housing, the National Cooperative Business Association, and local associations; however, these organizations are not as well-funded, present, or active as those in more robust cooperative environments (Sazama, 2000; Siegler and Levey, 1986). The call for organizations capable of providing training, administrative support, financial advice and physical maintenance timelines is a constant within the cooperative and CDC community (CMHN, 2004; CNHED, 2004; Enterprise Foundation, 2003; Ganapati, 2001; Miceli, Sazama and Sirmans, 1994; Saegert and Benitez, 2005).

Cooperative Housing Development and Government Policies

Many studies of cooperative housing are focused on single case studies. However, it is possible to draw common lessons. Sukumar Ganapati did this in his 2010 article on Sweden,

Relationship	State	Comments*
Overembeddedness Intimate ties with the state, generally accompanied by a loss of cooperative independence	India Mumbai transitioning to embedded autonomy*	Registrar controls operations at the state level, imposing administrative and objective goals on local cooperatives. National government support, especially under Nehru, imprinted political goals and strategies on cooperatives.
	Canada* transition in: 1990's	With direct oversight growing and the control of resident pools Canadian cooperatives are losing independence, and becoming more tied to provincial government.
	Australia* transition in: 1990's	Majority funding from government sources forcing private cooperatives to follow state objectives The dependence on state financing and inflexible service targets made the cooperative obsolete and led to demise.
Embedded Autonomy Balance between ties with the state and cooperative autonomy	Sweden	Strong national cooperatives with complementary, but independent relationship to state. Cooperatives have highly evolved internal support.
	NYC*	Strong cooperative culture with government support and private investment. Cooperatives serving variety of populations.
	Canada transitioning out: 1960s	
Disembeddedness Few or no ties to the state but marked by high degree of cooperative independence	Australia transition out: 1960's	Relied on middle and lower class clientele with funding sources from private and public institutions. The mix allowed building societies serve 40% of home building.
	US	Weak support of cooperative financing, usually considered as disinvestment method from public housing programs. Lack of state policy handicaps private cooperative operations and finance

Fig. 6.3. Cooperative-State Relations.
source: Ganapati (2010)
*- denotes addition to table by author

India and the United States. Borrowing from Peter Evans' work on state-industrial relations, Ganapati classifies cooperative public policy in three categories: overembeddedness, embedded autonomy, and disembeddedness. Intimate, balanced, and weak ties between the state and cooperatives mark each level of embeddedness and reflect the cooperatives' degree of independence from regulatory interference. As described, the US cooperative environment, with the exception of New York City, exemplifies a disembedded cooperative market, where weak public support is coupled with weak private cooperative development. A summary of "embeddedness" categories and the regions and time periods in which they are seen is provided in Table 3. The analysis of cooperative-state relations holds for all types of developments: non-equity, market rate, property, financial, and any mix of them all.

Embedded autonomous cooperative-state relations are characterized by balanced public and private investments; the state supports cooperative development but allows individual cooperatives freedom to govern themselves. Ganapati holds Sweden up as the clearest example of embedded autonomy; however, there are pitfalls in replicating the Swedish model in the United States. Sweden is a small nation; with an area slightly larger than California and population similar to New York City, Sweden is comparable to state and province service areas. Further, the population of Sweden is relatively homogeneous, a characteristic that can be important in cooperative living and self-governance. Finally, Sweden's cooperatives operated in a legally protected environment up until 2009; it is unlikely that any jurisdiction in the United States could provide such strong protection to cooperative development. Sweden's model of publically enabled private cooperative housing is very successful, but bringing it to scale has proven difficult; advocates need to look for parallels and lessons there and in other models operating that are informative for the complex federal-state, public-private structure of the US market.

Sweden

Swedish housing policy uses cooperative housing in support of a national objective that regards shelter as a basic right. Tenure cooperatives are the primary operators in the Swedish market. As Table 2 shows, however, a variety of cooperative types have existed in Sweden. The building societies have remained independent of the government, but

the government has given them preferential treatment and leveraged their capacities to provide public housing (Ganapati, 2010). There is a mixture of small and large players in the Swedish market, but it is dominated by large building cooperatives that finance and construct housing for a national membership base. When a building is complete, it is turned over to a tenant cooperative that remains tied to the support structure of the national organization. Within this set-up the tenant cooperatives have the flexibility to individually run buildings, while the national organization provides training and administrative support (Siegler and Levey, 1986).

The first of Sweden's cooperative societies, SKB, was formed in 1916 and specialized in rental cooperatives. However, 1921 and 1923 saw the creation of SCB and HSB, two tenure cooperatives. Since the early 1930's the relationship between the cooperative housing societies and the government has been one of mutual support. During the inter-war period leaders of the national cooperatives sat on the government's Social Housing Committee; in turn the cooperatives steered building growth, service, and housing type in support of governmental policy (Ganapati, 2010). When the government created Municipal Housing Commissions to administer public housing, they turned to the cooperatives for development and administrative capacity; though even in this relationship, national and individual cooperatives were able to maintain their independence (Ganapati, 2010). In this way private and subsidized cooperatives were woven throughout the market that served high-, middle- and low-income households. In 2009 the Swedish government legalized condominiums and official protection of the cooperative market ended; however, cooperatives still command a 50% share of the home-ownership market (Pittini and Laino, 2011).

New York City

Similar to Sweden, New York City's multi-family housing tradition is rooted in diverse cooperative developments, with supportive state and local regulations. In 2007 cooperatives provided more than 80% of multi-family housing in New York City (Schill, Voicu, and Miller, 2007). The size and growth of the city before the legalization of condominiums meant that private cooperatives met the multi-family ownership demands unmet by the rental market. However, unlike in many other American cities, there is also public support for affordable cooperative options. New York State's

“Mitchell-Lama” Act provides tax concessions and low-interest, state-bond backed loans to cooperatives that restrict equity accumulation for the life of the loans. Additional affordability protections are provided through city laws sheltering residents in LEC’s that are at the end of the Mitchell-Lama loan period. Within the NYC market, affordable cooperatives are often used to combat gentrification and the rising costs of housing. However, the city also turned to them to counter federal disinvestment and property abandonment. In the 1970s the city started a program supporting cooperative self-management efforts by tenants in underfunded public housing and abandoned apartment houses by providing administrative and financial education (Leavitt and Saegert, 2007). Upon completion of the program, members of the cooperatives had access to subsidized loans for property purchase and rehabilitation, and commenced operations with trained boards and buildings in good repair (CMHN, 2004).

Overembeddedness and Disembeddedness

In Ganapati’s framework, over and under involvement by the state are destructive to cooperative stability. The US framework shows how weak public policy translates to weak cooperative markets. However, equally damaging is an overly involved government policy that sets priorities from the top down.

India

India’s cooperative housing roots lay in colonization and the cooperative movements taking place in Great Britain. In 1912 the colonial government enabled the first housing cooperatives, beginning a cooperative culture that underpins current developments. The types of cooperatives developed in India vary from province to province, filling voids in bank financing by providing credit, bureaucratic, and construction support. As of 2010, cooperatives in India served 11% of the market, which constitutes over 2 million households (Ganapati, 2010).

India’s Registrar of Cooperative Societies is the national-level authority that enables states to conduct the oversight and regulation of cooperatives. Prior to independence, oversight was active but did not compromise cooperative operations. However, with Indian independence in 1947, the Registrars were enhanced. Emphasizing cooperative action as a state value, cooperatives became tools of government policy and national finance and support structures were put in place – a mixed blessing to the cooperatives (Ganapati, 2010). In some states

this close relationship is a wedge between public action, private investment, and general need. Mumbai has the most active housing cooperatives and the least intrusive Registrar. In Mumbai private cooperative success with middle and low income earners proved to be a useful model for local public agencies who adapted it to organize slum dwellers into service, credit, and housing groups. The Bombay Registrar has maintained a strictly supportive role, allowing both the private and public cooperatives to define and tailor programs to meet the needs of their target members (Ganapati, 2001). With this success, the Indian government has attempted to bring these lessons to scale through the Registrar offices in other states; however, it has not achieved the same participation through top-down mandates.

Australia

Starting in the 1840s private building societies existed in New South Wales (NSW); however, many were marked by mismanagement and failure. In response to a growing need for housing and a lack of bank financing, the state created financial housing cooperatives under the 1936 Housing Improvement Act. To counter previous experiences, state oversight was enhanced and a mixed public-private funding mechanism was introduced. The cooperatives secured blanket loans from banks and the government and then lent these funds to members for construction of homes; in turn members paid share fees to the cooperative. All cooperatives were registered with the Registrar of Cooperative Housing Societies, which inspected accounts and assessed homes. Once a cooperative’s loans were paid in full, it ceased to exist; it had served its purpose of mediating between funders and homeowners.

Obtaining funds from private banks allowed the cooperatives to maintain independent operations under the oversight of the Registrar, and the cooperatives provided financing for 40% of the NSW homes built in 1960 (Abbott and Doucouliagos, 2007). However, in the 1960s banks began to enter the mortgage market, and funding for cooperatives shifted almost exclusively to the government. At this point the cooperatives became tools of targeted government housing policy (Abbott and Doucouliagos, 1999). This relationship persisted until 1993 when the Registrars were abolished and the private cooperatives lost their institutional support. However, the decline of the cooperatives actually started in the 1970s when majority government funding and targeted public policy goals stripped the societies of their independence.

Canada

Canada has made use of cooperatives in the provision of public housing, where national, provincial and local governments favor non-equity communities. This approach has proven successful in serving low-wage professionals and the working poor, especially in Ontario where 48% of this housing exists (Sousa and Quarter, 2003).

Canada's non-equity cooperatives were established in the 1973 National Housing Act, which introduced a tiered public housing program. Within this framework the Canadian national government entered into agreements with existing cooperative sponsors and non-profit organizations to set up mixed-income communities. In Ontario, the cooperatives were required to provide space for low-income households in exchange for low-rate direct loans from the national, provincial, and municipal governments. While the members of these cooperatives did not earn equity, they did enjoy the other benefits of cooperatives including democratic control, self-management, membership approval and secure tenure (Sousa and Quarter, 2003). In order to maintain the low- and moderate-income focus of these cooperatives, they received government support through tenant subsidies. The cooperatives were free to decide how and in what proportion these subsidies would be applied to households (Cooper and Rodman, 2000; Sousa and Quarter, 2003).

The structure of the cooperative-state relationship changed in 1993 when the national government stopped direct financing and pushed public housing responsibility to provincial governments. In Ontario, where most of the non-equity housing is located, the provincial government pushed responsibility to the municipal level in 2000. The most drastic changes for the cooperatives were the loss of membership approval and control over government subsidies. The changes in subsidy allotments motivated some long-time members to leave, and the need to fill the vacancies quickly curtailed the cooperative board interview process. This creates a situation where new residents are not always suited to participatory cooperative living. These changes, coupled with new and more stringent administrative systems and central management of some services, are affecting cooperative dynamics. While the non-equity cooperatives are not likely to disappear, some individual communities will likely fail (Cooper and Rodman, 2000).

Common threads for success

The primary lesson for US cooperative development is that public and private investment must be made in a balanced and mutually reinforcing manner (Ganapati, 2010). With that framework, national and local policy changes must be sought, private and institutional support structures are required, and economic, political and cultural alliances need to be fostered.

Policy and Implementation

US cooperative housing advocates must push cooperative-state relations from the disembedded state to embedded autonomy. In the US this means a shift in priorities at the national level. The current political atmosphere of sequestration, low-level austerity and tax reform leaves little maneuvering room for cooperative advocates. However, there are programs in place that should be leveraged for cooperative use. Section 213, the FHA administered mortgage program, needs to be funded to its full potential, and cooperatives need access to LIHTC funds to begin a market transformation. Access to LIHTC funds in particular is important for existing and forming cooperatives; it makes funds more freely available, increases exposure of private markets to cooperative structures, and creates the mixed private-public financing of independent cooperatives that has proven successful in many environments.

On the state and local levels, the success of the New York City experience is useful. The New York state Mitchell-Lama Laws and New York City affordable protections are proven models of cooperative encouragement. However, perhaps even more important is the program used by the city to convert public housing and abandoned private properties to tenant-controlled cooperatives. This program allowed the local housing community flexibility in private and public housing situations, and created a framework for provision of training and support services.

Once a shift in policy takes place, it is important that cooperative communities guard against too large a shift. As seen in the Australian and Canadian examples, the move away from a balanced relationship can damage and even destroy established and successful cooperative institutions. In order to safeguard an embedded autonomous relationship, knowledgeable and diverse cooperative environments are required.

Support structures and knowledge bases

The lack of familiarity with cooperative housing is one of the largest obstacles to growing the market in the US. Growing the knowledge base is key to growing the private side of the public-private balance needed. The steps required are two-fold: public outreach to foster a “cooperative culture,” and internal technical education to build competent cooperative management. Existing national organizations are suited to the public outreach element. These groups need to make a concerted effort to collect data and reach out to private finance interests, community organizations, public housing authorities, and existing cooperative associations with access to that information.

A larger effort needs to be made to increase the proficiency of cooperative boards in managing properties. The local nature of this effort, coupled with the general need, means that it has to be engaged at all levels and by public and private concerns. Options for this effort include building private capacity in property management and development companies, earmarking state funding for training, engaging public housing authorities in both training and facilitation within individual cooperatives, and increasing the capacity of existing national and regional cooperative associations.

Diversity and Independence

Diversity within the cooperative environment will provide multiple benefits. First and foremost, it insulates communities from changes in government policy. The Australian and Canadian experiences show how narrow cooperative structures are vulnerable to shifts in government policy, and the Indian example highlights the failings of a narrow government focus in fostering cooperatives. Second, a variety of cooperative structures will more

closely reflect the variety of housing needs in regional and local areas. In turn the variety of housing needs demands that cooperatives resist being labeled in one way. For example, US trends currently favor LECs for their affordability. However, LECs also promote economic development, provide a stop against gentrification and displacement, and build community participation rates (McStotts, 2004; Saegert, Eizenberg, Extein, Hsieh, Benitez and Chang 2002). Each of these benefits makes funding and support of LECs attractive beyond the affordable housing arguments.

The diversity of cooperatives in Sweden and New York City enhances their influence on policy and exposes the public to their function. In the larger US market, where the scale of the cooperative housing market limits the possibilities and reach of associations, reaching out to allies in retail, agriculture, utility and other cooperative markets will help housing advocates increase political influence and public familiarity.

Conclusion

While it is unlikely that the US will ever embrace cooperative ownership to the degree of Sweden, it is possible to develop a stronger “third way” model. A concerted effort by advocates should begin with leveraging existing government programs, building a comprehensive understanding of cooperative housing, and making alliances across public and private cooperatives of all types. Doing these things concurrently will begin the process of building private and public investment. This investment will create experiences that can provide answers to questions surrounding housing access and stability in the housing market. ■

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Online Resources

www.cnyc.coop/index.htm; Council of New York Cooperatives & Condominiums
portal.hud.gov/; Housing and Urban Development
ica.coop/en/; International Cooperative Alliance
www.coophousing.org/; National Association of Housing Cooperatives
www.ncb.coop; National Consumer Cooperative Bank
uwcc.wisc.edu/; University of Wisconsin- Center for Cooperatives