

Housing Co-operatives in Ireland

History

The formation of co-operative housing societies in Ireland dates back to the 1950s. These were local, self-help, home ownership building co-operatives providing affordable homes for their members. In the 1960s and early 1970s, the growing number of young couples seeking access to home-ownership in the expanding rural towns and new suburban areas resulted in more co-operatives of this type.

The local authorities encouraged co-operative self-help efforts with the supply of building sites. The co-operatives used mortgage loans raised by their members, technical consultants and building contractors to expand housing output. Some 3000 homes were built in the 1970s and 1980s by these types of co-operatives in various parts of the country. These projects generally comprised 10 to 60 houses. Home-ownership building co-operatives continue to be an aspect of co-operative housing development in Ireland.

The National Association of Building Co-operatives (NABCo) was formed in 1973 by representatives of local housing co-operatives as the national representative, promotion and development federation for the Co-operative Housing Movement in Ireland. The allocation of some State financial assistance in 1979 enabled the Association to open an office and to expand its promotion, information and other support services for housing co-operatives.

In Ireland housing policy has traditionally placed a strong emphasis on encouraging access to individual home-ownership. Some 79% of Irish households are private home-owners compared with about 10% in 1922 at the commencement of the Irish state.

The local authorities (city, town and county councils) are designated as public housing authorities with responsibility for assessing the housing needs of those without the resources to provide accommodation from their own resources, overcoming bad and overcrowded housing and providing social rented housing programmes. State funding aid up to 100% of the building cost of new social housing is provided each year. Some of the earliest slum clearance and social housing developments were initiated by voluntary and philanthropic housing trusts in the 1890s. With the foundation of the Irish state in 1922 State funding aid began to be directed towards the local authorities for larger scale social housing building programmes. Voluntary housing organisations continued to play a small scale role in pioneering sheltered or group schemes of housing for the elderly and in responses to the needs of homeless persons, using mainly private funding and charitable donations.

Changing or emerging housing needs and the identification of gaps in housing service responses resulted in governmental policy adjustments in the 1980s. A diversification of public spending to support the provision of rented housing by not-for-profit *approved housing bodies* was made in 1984 with the introduction of a new capital assistance scheme.

This enabled the National Association of Building Co-operatives to commence the promotion of the first rental housing co-operatives in Ireland. The 1991 Social Housing Plan and housing legislation in 1992 confirmed and improved State funding support, through a new Capital Loan and Subsidy Scheme for approved housing bodies in the co-operative and the voluntary housing sectors to expand their roles. The local authorities still continue to play the primary social housing role and are also involved in the approval/allocation of funds under this Scheme for co-operative housing projects which will help to relieve local social housing needs (along with voluntary housing projects).

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The National Association of Building Co-operatives has led the development of some 30 new rental housing developments with affiliated co-operative housing societies and the support of the local authorities. The co-operative member/tenants are represented on the management boards as the *users* of the housing services provided.

The formation of *district/area* co-operative housing societies, in the 1990s, has provided the means to pool resources avoid duplication of overhead costs and provide housing management staff for the delivery of quality housing services to members.

The *local* co-operative housing developments generally range in size between 10 and 80 dwellings, some larger developments with 100 to 200 dwelling units comprise both rental and ownership tenure houses and apartments.

Context

A substantial growth in the size of the Irish economy, population and employment during the 10 year period to 2008 resulted in an increased demand for housing. The cost of building land and house prices also rose sharply during this period. There has been a reduction in the rate of economic growth during 2008 with some loss of employment, particularly in the construction industry. This illustrates the need for a range of housing options and choices to meet different and changing economic and social needs in the population.

The provision of social rented housing, mainly by the local authorities but also by the voluntary and the co-operative housing organisations caters for about 8% of households. This is just less than half of the total rental housing accommodation in Ireland, although lower income tenants in the private landlord sector may also benefit from subsidised rent assistance.

Planning and Development legislation introduced in 2001 has required private developers to make agreements with local authorities for the provision of up to 20% of their housing developments for social and affordable housing. The first housing projects supplied through this arrangement for co-operative ownership and management have been completed. Further projects of this type to supply co-operative housing are under construction, although most co-operative housing developments are initiated directly by the organisations themselves.

The National Social Partnership Agreement, negotiated in 2006 between representatives of government, employers, trade unions, farmers and the community/social sectors, including the National Association of Building Co-operatives, has a strong commitment to improving social rented housing output and also measures to enhance the supply of affordable ownership housing. The National Development Plan (NDP) funding allocations have confirmed the commitment to increase the supply of social housing.

Current housing policies are aimed at reducing energy consumption and improving housing quality standards, particularly in apartment buildings, so that this form of higher density housing will be more attractive to families as a satisfactory accommodation solution with better amenities. Co-operatives provide an effective means to manage and maintain apartment buildings and related common services. The achievement of a more integrated and socially sustainable approach to the delivery of both social rented and ownership housing is a key aim of the policy statement *Delivering Homes – Sustaining Communities*, issued by the Department of the Environment, Heritage & Local Government in February 2007. The potential for expansion of co-operative housing is recognised but steps to improve access to building sites and more simplified funding arrangements are needed to fulfil this policy objective.

The co-operative social rented housing stock in Ireland is relatively small but is expanding. This increases the supply of good quality, well managed dwellings with security of tenure and affordable rents for applicants willing to accept the responsibilities of co-operative membership. The availability of rental housing in not-for-profit co-operative communal ownership contributes towards a socially balanced response to local community housing needs.

In order to enhance the supply of affordable ownership housing for members with modest but limited incomes who cannot afford full market prices, a new form of *co-operative equity-sharing housing* has been introduced. This enables co-operative members to obtain an ownership equity stake in their homes, equivalent to 50% of the cost, with an affordable mortgage loan. The remaining equity is held by the co-operative housing society as “social equity” for non-profit community benefit. This provides a good alternative to joining the waiting list for social housing which is funded up to 100% of the cost by the State and encourages a self-help co-operative approach to the relief of housing needs.

The Co-operative Housing Movement in Ireland

The co-operative housing movement comprises the National Association of Building Co-operatives (NABCo), its affiliated *district/area* co-operative housing societies and *local* housing co-operatives, together with the shareholding members, management committees and staff.

The National Association of Building Co-operatives (NABCo) is a not-for-profit federated co-operative society, legally incorporated and registered under the Industrial and Provident Societies Acts 1893 – 1978. The Association’s management board consists mainly of representatives of affiliated housing co-operatives who are *member/users* of the housing services provided.

The NABCo mission is concerned with:

- the representation, promotion and development of the co-operative housing movement,
- supporting well organised co-operative housing societies to provide and manage good quality housing,
- contributing to the building of better communities.

NABCo engages in:

- representation of the common interests and concerns of housing co-operatives at local, national and European Union levels,
- planning, financing and development of more new co-operative housing projects,

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- provision of information, advice and training for members and staff of affiliated housing co-operatives,
- assistance with legal incorporation of new co-operative societies and guidance for good governance and housing management standards.

The Association participates in the national social partnership *Housing Forum*, working groups conducted by the Department of the Environment, Heritage & Local Government, and is also a member of *The Forum for the Co-operative Movement in Ireland*, with the representatives of the national federations for the agriculture/dairy, credit union and other co-operative sectors, dealing with matters of common interest, legislation and the promotion of co-operatives.

The affiliated membership of the National Association of Building Co-operatives currently comprises 8 *district/area* co-operative housing societies and 30 *local* housing co-operatives, involved in the provision and management of rental and ownership housing for members.

There are 8 staff members currently employed by the Association, including a regional manager based in Cork, to support affiliated co-operatives and promote new co-operative housing projects in the Munster province and southern counties.

A computerised rent accounting system and the bulk purchase of insurance requirements are among the shared services operated by NABCo for affiliated housing co-operatives.

Statistics

Approximately 3500 dwellings have been provided by local home-ownership building co-operatives for purchase by members. As there is usually no ongoing housing management role for this type of co-operative, they may dissolve following completion of one or two developments to meet local housing needs. There are currently some 1200 rental and equity-sharing ownership houses and apartments managed by affiliated district/area and local housing co-operatives.

The co-operative housing sector is the smallest of the three main organised co-operative sectors in Ireland. Current estimates indicate that there are 1.2 million members of co-operatives in the agriculture/dairy, credit union and housing sectors. The current value of the housing stock owned and managed by co-operatives is about €240 million (as distinct from dwellings built by home-ownership building co-operatives and purchased by members).

Description

Key characteristics of Irish housing co-operatives are:

- not-for-profit purposes concerned with the relief of housing needs for members and their communities; there is no distribution of dividend and any surplus is re-invested to achieve the purposes of the co-operatives,
- as the standard model rules (legal constitution) for housing co-operatives issued by NABCo provide for the relief of deprivation and housing needs and the provision of housing for community benefit, co-operative housing societies are relieved from company/corporation and some other tax/duties,
- the local co-operative housing developments generally range between 15 and 80 dwelling units, but some larger developments have been built or are under construction,

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- the shareholding membership of housing co-operatives comprises mainly the user/residents/tenants, (there is a very limited number of members who are not housing service users),
- co-operative rental housing has no individual member's equity invested and is not made available for tenant purchase or sale,
- each member has one vote and may be elected to a management committee or the board of directors of a society.

Currently, the societies employ 12 staff engaged in housing management/administration, maintenance and caretaking operations and a further 11 are involved in the delivery of co-operative social service child-care and family support services.

The types of housing co-operatives in Ireland can be categorised as:

home-ownership building co-operatives formed for the purpose of building group schemes of affordable ownership houses for members who have the financial capacity to engage in house-purchase. The low cost subsidised sites scheme operated by the local authorities has been the main source of building land. Each participating member must obtain an adequate mortgage loan, secured on his/her house, which combined with personal savings will make up the full cost of acquiring a house.

district/area co-operative housing societies comprising networks of *local co-operative rental and ownership* housing. These societies provide the means to pool resources and to provide common services, including management staff, for the upkeep of the local co-operative housing estates or apartment buildings. The societies' management boards comprise the representatives of the local co-operative housing developments. NABCo works with these societies to expand the stock of co-operative rental and/or ownership housing.

Some district co-operative housing societies are also involved in the provision of professionally managed child care and family support services, using communal welfare facilities provided as part of the co-operative housing developments.

Financing

The financing of co-operative home-ownership is based on an adequate mortgage loan secured on the dwelling combined with the member/purchaser's personal savings to make up the full cost of the dwelling. The personal savings portion varies but may be up to about 10% of the cost. The mortgage loan period is usually 20 – 25 years. The calculation of the amount of the mortgage loan is usually a multiple of the applicant's income, subject to a limit which does not exceed affordable outgoings for the loan repayment and interest charges. This would generally not be above 30 – 35% of the loan applicant's income level for prudent lending.

There are three "pathways" to social rented housing: local authority/public housing, voluntary housing and co-operative housing, with capital financing towards the building costs provided by the State.

The membership of rental housing co-operatives is recruited from interested applicants on the local authority social housing waiting lists. This is the requirement of the State capital loan and subsidy scheme used for the development of co-operative rental housing.

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As new co-operative rental housing projects are brought forward, arrangements are made with the relevant local authority for the nomination of interested applicants for whom the co-operative dwellings may be a suitable housing solution in terms of type, size and location. All interested applicants are required to participate in an *advance co-operative information and familiarisation/training programme*, following which they may decide to apply for membership and proceed to sign a tenancy agreement with the co-operative housing society. The information programme includes an explanation of the membership, organisation and management of co-operatives, the estate management and upkeep arrangements and the terms and conditions of the tenancy agreement.

Rents are related to each member/tenant's household income circumstances, as assessed each year, and the management and maintenance costs (as distinct from market rent levels). The capital loans are secured on the dwellings for a 30 year mortgage period, with the repayments and interest charges fully subsidised each year, subject to the continued use of the dwellings for social housing purposes. A management and maintenance subsidy allowance per dwelling is also made available to top-up income related rent payments from the member/tenants in order to meet the full housing management costs.

Legal Framework

Co-operatives in Ireland have traditionally sought legal incorporation and registration with limited liability status under Industrial and Provident Societies Act 1893 – 1978, as administered by the Registrar of Friendly Societies.

Although these Acts do not specifically recognise Co-operatives and do also allow for the registration of other types of societies, the use of standard model Rules, approved by the Registrar, as issued by the National Association of Building Co-operatives, has enabled the registration of societies which are formed and managed in accordance with the *co-operative principles*.

Provisions exist in the Housing legislation for the issue of *approved status* to housing bodies which have a not-for-profit legal constitution and objects concerned with the relief of housing needs and the provision and management of housing. Approved housing bodies may apply for capital funding assistance under the terms of the Department of the Environment, Heritage & Local Government's capital funding schemes as administered by the local authorities.

Co-operative housing societies must also comply with all legislation and regulations related to the conduct of their business and activities, including laws relating to employment, safety, building regulations and housing standards, tenancies etc.