

Housing Co-operatives in Sweden

History

Co-operative housing, also known as a tenant ownership co-operative, was a response to extreme housing shortages and severe housing speculation. In 1923, tenant organizations founded HSB Riksförbundet to promote and make the necessary representations to political bodies in support of co-op housing development. The original goals of the tenant organisation activists were to give everyone a way to control their housing situation as well as to provide good housing to everyone regardless of their economic capability. They got the support of the Social Democratic Party and through that partnership the tenant ownership system, using the mother-daughter development model, was successfully developed. Under this model, large co-operative associations (mother or secondary co-operatives) build and sell the units to the co-operatives (daughter or primary co-operatives). The primary and secondary co-operatives keep permanent links through mandatory membership. Even though housing co-operatives have the freedom to choose their management service, more than 95% of them buy their administrative and maintenance service from their HSB regional organization which also contributes to keeping close links between the housing co-operatives and their umbrella organizations.

After the Second World War, the tenant ownership organisations became an essential key player in housing development. Riksbyggen was founded by construction workers during that time. Simultaneously, in 1945, the first governmental housing committee made an historic decision: Sweden was to provide the same kind of subsidies, regardless of the housing tenure whether it was rental housing, co-operative housing and private ownership. This neutrality between tenures would give people the capacity to choose the best suited housing for their family. Several mechanisms were then put in place to prevent speculations and housing co-operatives got access to direct subsidy maintaining complete affordability to any citizen independent of their economic situation. The direct housing subsidies were abolished in the 1990s and the financing system was reorganized.

Context

Even though the housing policy's aim in Sweden is still to "provide good housing to all households at affordable price", the deregulation of the housing market and higher construction costs make it more difficult to attain. The co-op shares, since the 1970s, have been sold on the open market without any internal stabilisation mechanisms. For example, in a new development today, the members-homeowners must finance around 60% of the development cost, the remaining being financed through a loan taken by the co-operative.

However, it should be noted that even under the new market rules and more expensive co-op shares, housing co-operatives remain the most long-term price worthy tenure. Housing co-operatives are known for good quality housing and good maintenance which makes them cheaper in the long run.

Being aware that new housing development is much more geared towards middle-class households, the co-operative housing organizations are making representations to the government to introduce credit guarantee for low-income households and, more specifically, young people.

The election of the new right wing government in 2006 confirms even more that Sweden housing policies are market driven. There is a clear wish from the new Ministry of Housing to develop a condominium private ownership model.

The Co-operative Housing Movement

Unlike many countries, housing co-operatives in Sweden are not represented by a single one organization at the national level. 75% of the housing co-operatives are linked to two organizations: HSB Riksförbund and Riksbyggen, HSB being the largest with almost 50% of the portfolio. About 25% are independent co-operatives, founded by the tenants themselves. They run without any affiliation with the two large organisations and some belong to independent organizations. HSB and Riksbyggen develop, manage, offer services and represent housing co-operatives in the country.

HSB Riksförbund, the Tenants' Savings and Buildings Society, has a three level structure. The National Federation, custodian of co-operative values, is mainly responsible for lobbying and providing services to the regions, the Regional Societies are responsible for developing and servicing housing co-operatives and the tenant owner housing co-operatives. In this structure, individuals interested in becoming members of a HSB housing co-operative join a HSB association. Once the individual buys his shares and moves into a housing co-operative, he becomes a member of a housing co-operative and keeps his membership in the HSB association. This arrangement differs somewhat in Stockholm where a special by-law allows membership at only one level.

HSB Riksförbund membership consists of:

- 540,000 members (360,000 tenant-owners and the rest has a non-tenant owner status *)
- 3,845 housing co-operatives members of the HSB Regional Societies
- 33 HSB Regional Societies

* The non-tenant owners are people, most of them are children or young people, saving money on a monthly basis to eventually become co-op tenant owner benefiting good conditions. While saving and waiting for the proper unit or the appropriate time to buy, they have, in many regional societies, the opportunity to rent a flat.

For more information, go to www.hsb.se

Riksbyggen, the Cooperative Building Organisation of the Swedish Trade Unions, is owned by the trade unions of the building sector, tenant ownership housing co-operatives and other national co-operative organisations. It has a two levels structure: the National level and the Local tenant owner co-operatives.

Riksbyggen membership consists of:

- 500,000 members living in building managed by Riksbyggen
- 1,700 housing co-operatives, which are developed by Riksbyggen
- 35 delegate bodies

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- 30 local associations, which are voluntary organisations consisting of local union and popular organisations.

For more information, got to www.riksbyggen.se

Statistics

HSB and Riksbyggen's membership totals close to 5,500 housing co-operatives. Housing co-operatives hold 18% of the housing stock in Sweden with 750,000 apartments. Most of the housing co-operatives are multi-family housing units located in urban areas.

Description

Housing co-operatives (HSB and Riksbyggen' portfolio) key characteristics are:

- Housing co-operatives normally consist of between 20 to 100 apartments. The average size is 80 units. The largest co-operative in HSB portfolio has 1,075 units.
- The properties (building and land) are owned by the housing co-operatives.
- Tenants must be members of the co-operative. The Board is responsible for approval of membership. An individual who is not accepted as member can lodge a complaint with the local rent tribunal.
- Members buy shares giving them unlimited occupancy rights as long as they fulfill their obligations. Shares are sold at market value. HSB owns the right to sublet or sell the apartments in the rare cases of new co-op development where units are not completely sold.
- Members pay a monthly fee that covers interest and amortisation expenses of the co-operative's loans as well as the operating expenses and scheduled future maintenance. The monthly fee is related to the size of the units the member occupies.
- In many housing co-operatives, part of the monthly fee is set-aside in a separate fund to be used for the interior maintenance of each unit. The assigned unit fund is transferred with the apartment when sold.
- Members are responsible for the repairs and maintenance of own units and the co-operative is responsible for the maintenance of common areas and facilities.
- Housing co-operatives hire staff directly or through HSB and Riksbyggen.
- Members can sublet their apartment with Board's approval. Members can lodge a complaint with the rent tribunal if subletting is refused by the Board.

Financing

There is no governmental financial assistance. Depending on the project, members/tenant-owners finance between 30% to 50% of the development cost and the rest of the financing is raised by the co-op organizations through loans from the banks and other private financial institutions. Tenant-owners can normally get a loan from the banks equivalent to 75% (up to 90%) of the down payment required.

HSB and Riksbyggen have both set up saving mechanisms whereby individuals can save to buy their future co-operative housing shares. Individuals who use this mechanism receive priority on new developments and benefit from better prices than the co-op shares sold on the regular

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market. However, there is not a mandatory mechanism to buy existing co-operative shares. It is also possible for members, upon positive credit assessment, to get a loan from a financial institution to pay for his shares using the value of the shares as collateral.

HSB Security Guarantee protects the financial security of the housing co-operatives for the first 7 years by purchasing any unsold apartments and taking financial responsibility for them.

The impact on housing co-operatives of the new taxation regulation remains to be seen.

Housing co-operators - homeowners – still benefit from a 30% tax reduction of interest expenditures for loans either for co-op shares in the open market or for new flats.

Legal Framework

The legal instruments for the housing co-operative sector are:

- The Co-operative Housing Act which determines the co-operative's organizational rules, including their business conduct
- The Co-operative Economic Associations Act which determines the association's organizational rules, including their business conduct.