

### **Housing Co-operatives in Norway**

#### History

Like many European countries, Norway has faced an acute need for housing and reconstruction work after the destruction wrought by the Second World War. At that time, the housing policy's intention was to provide good housing to all by stimulating homeownership in a non-speculating context. Such a policy developed a very high standard of housing for the vast majority of the population. In Norway approximately 80% of the population are home owners through individual ownership or co-operative housing, leaving a very small rental sector. This rental sector is dominated by private households who rent out part of their house, or a house or a flat that they are not using, for a limited period.

From its foundation in the 1930s, the co-op housing movement was seen as a tool to implement the social housing policy in the country. In fact, one key strategy for implementing the Norwegian Housing model was the clear division of responsibilities between key players, namely the "state, the municipalities and the private sector of which the co-op housing movement was the largest single stakeholder". Financing mechanisms such as low cost building sites, subsidized loans and grants, were put in place to ensure that the housing needs of all would be met. The co-op housing sector, on the other hand, built houses on the principle of "selling at cost", taking no profit for these activities.

Over the years, the collaboration between the government and the co-op housing movement grew even closer. The state and the municipalities opted to support the development of housing co-operatives instead of encouraging a large public housing sector like other countries. This political support contributed to the creation of one of the largest and most successful housing co-operative movements in the world.

In the 1980s, a major political shift happened, replacing the social democratic ideology and state interventionism towards a more liberalistic agenda based on free market economy and deregulation. Price regulation was abolished in the mid eighties; subsidised loans and grants from the State Housing Bank were gradually reduced to nothing and municipalities no longer provided building sites.

#### Context

The overall vision of the Government's housing policy is that everyone should have adequate and secure housing in a good local environment. A key aspect of Norwegian housing policies has been that everyone should be able to own their own houses or flats.

However, the average Norwegian faces some challenges as the price of flats have raised significantly. In addition, public financial support is now mainly directed toward lower-income people and those with special needs. There is basically no financial support in the housing sector in Norway; including the type of building that the Co-operative Housing Associations stands for.

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The co-op housing movement in Norway still plays a central role and is a key partner with the central government and the local authorities in the implementation of the housing policy, but this role is not as strong as it has been in the past. Today, Housing Associations primarily have to succeed in a free market economy with many different competitors.

### The Co-operatives Housing Movement

The Norwegian Federation of Co-operative Housing Associations (NBBL) is the nationwide umbrella organization for housing co-operatives. NBBL represents, promotes, develops, and provides services to housing co-operatives in collaboration with its member housing co-operative associations.

The Co-operative Housing Movement is the fourth largest membership organisation in Norway. The democratic participation in the co-operative housing movement is impressive with 25,000 elected representatives. Its membership includes:

- More than 750,000 individual members (tenants and non tenants).
- 5,000 housing co-operatives, also called primary housing co-operatives.
- 89 co-operative housing associations (also called secondary housing co-operatives) whose membership varies between 100 and 220,000 individual members.

Norwegian housing co-operative bylaws require individuals to be a member of both the housing co-operative and the housing co-operatives association. The system also allows individuals to be a member of the co-op housing association without at the same time being a member of a housing co-operative. By being a member and stakeholder of the association, the individual can in order of seniority buy new built unit or use a right of pre-emption when buying an existing vacant unit in a housing co-operative. Some individuals also keep their membership for the future benefit of their children.

For more information, go to [www.nbbl.no](http://www.nbbl.no)

### Statistics

The co-operative housing movement is significant in Norway. With 250,000 units and 5,000 housing co-operatives, plus the so-called “independent housing co-ops” (approximately 70,000 units), the co-operative housing sector represents around 15% of the national housing market. While present everywhere in the country, their market share increase considerably in the cities. For example, housing co-operatives represent 40% of the housing market in Oslo.

### Description

The main characteristics of the Norwegian housing co-operatives are:

- The property is owned by the co-operative.
- They have an average of 50-60 units.
- Members buy shares, usually at full market value, which give them the right to occupy a specific unit. (In 2007, the average share cost is approximately 200,000 Euros).

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- Members contribute a proportionate share of the operating expenses.
- Shares are normally transferred in the open market at their full market value, but members of the co-operative housing associations have the right of pre-emption, to a price set in the market.
- Each member has one vote, irrespective of the number or value of the shares.
- The Board of Directors is responsible for the management, often assisted by a co-op housing association acting as a business manager.
- Local authorities have the legal right to buy 10% of the flats in housing co-operatives.

### Financing

Until the 1990s, most of the co-op housing developments were financed through subsidized grants and loans from the State Housing Bank. Since the mid 1990s, loans are no longer subsidized and grants are only given to a very limited type of building projects such as student flats, specialized houses for elderly, handicapped, etc. The housing development financing share of the State Housing Bank has been diminishing since 2002. In fact, in 2007, not more than 10-20% of new houses will get a loan through this governmental credit institution. Previously, the majority of the houses built were financed through the State Housing Bank. This new situation reflects the lack of interest from the developers to use this governmental credit institution due to average loan conditions.

Most of the financial support to the housing sector in Norway is channelled through a housing allowance system that is run by the State Housing Bank in collaboration with the municipalities. The Bank also offers – through the municipalities – loans (mortgages) to individuals who want to buy a flat or a house, but have limited financial capacity to handle the private market loan conditions. About 5,000 such loans are granted each year. In Norway, every buyer of a property has to pay a 2.5% property tax transfer to the state. At this time, this tax does not apply to flat transfer in housing co-ops. The question on whether or not to apply this tax to housing co-operatives is currently under discussion .

### Legal Framework

The Housing Co-operative Laws is a joint name for the Co-operative Housing Association Act and the Housing Co-operative Act, which newly have undergone major legislative revisions. The renewed acts came into force in August 2005.

- The Co-operative Housing Associations Act

The Act sets the organizational rules including their business activities framework. The Act also regulates the associations' business conduct such as the member's rights concerning participation in the General Assembly and Board of Directors. An association is owned by its members and is at any time open for new members. The first mandate of the co-operative housing associations is to provide homes for their members. In addition, the associations can manage housing co-operatives and other housing companies, e.g. condominiums, rental flats etc. Normally the co-operative housing association organizes new homes for their members in housing co-operatives, but there are no limitations on the association using other organizational models.

- The Housing Co-operatives Act

The Act sets the co-operatives organizational rules including their business conduct such as the one-member one-vote system, participation in the General Assembly, maintenance of their flats, rights of pre-emption, non payment of monthly fees. The act also contains provisions regulating the shareholder's responsibilities as a member of the housing co-operative. The last revision of the act clarified the shareholders rights, including the selling and letting out of their flats as well as the security of their investment.

The housing co-operative laws in both acts regulate the system of double-membership that is previous mentioned.