

Housing Policy Consultation 2019

The The Co-operative Party wants to hear your opinion on the housing situation in Scotland and how to best grow co-operative housing.

As you are reading this report, please consider the following questions:

- What is your local communities' experience of housing?
- How could housing be improved in your local community?
- How could co-operative values and principles be a stronger feature of the housing sector and what benefits would this bring?
- What barriers are there to achieving a more co-operative housing sector?
- How could Scottish Government and local government support be changed to support co-operative housing?
- If you are an individual Co-operative Party member, local party branch or council, co-operative society or active within the co-operative movement, we would like to hear your answers to these questions.

Our consultation is open until 30 April 2019

Background briefing UK housing policy

Together these sections can help you as you consider the submission you would like to make to the 2019 Scottish policy process.

Housing is a devolved issue, and this document recognises different approaches and structures are in place in England, Wales, Scotland and Northern Ireland regarding housing.

Whilst recognising these differences we would encourage you to read the Bricks, mortar and co-operation the policy document agreed at the 2017 UK Co-operative Party Conference.

What is co-operative housing?

The Co-operative Party believes that everyone should have access to a home that is decent, safe, offers security and is affordable to buy or rent and to maintain and run. Co-operation can help achieve this vision.

Co-operative housing is defined by the Confederation of Co-operative Housing as housing that is 'developed by, with and usually for, a democratic community membership organisation; and is controlled (and in some cases owned) by a local democratic community membership organisation'.

In 2009 there are roughly 836 co-operative and other mutual housing groups across the UK, accounting for 169,000 homes. This represented housing for around 0.6% of UK households.

There are several models of co-operative housing, as outlined below.

Ownership housing cooperatives

These housing co-operations are owned, managed and democratically controlled on a 'one member, one vote' basis by their members and tenants. They are fully mutual organisations, i.e. tenants must be members, and members must be tenants.

Most ownership housing co-operatives were developed in the 1970s and 1980s with public assistance in the form of capital grants to make rents more affordable. In Scotland there are a number of housing co-operatives, but their numbers are small and no new housing co-operatives have been set up in the last 15 years apart from the student housing co-operative.

Examples of housing co-operatives in Scotland include West Whitlawburn Housing Co-operative and Hawthorn Housing Co-operative.

There are also a small number (around 25) of ownership housing co-operatives that developed without public funding. These were financed through mortgages and member loans. To that effect, they have established a support network called Radical Routes, and an investment tool called Rootstock that every housing cooperative must invest in.

Mutual home ownership

The mutual home ownership model has been developed as a form of intermediate market housing developed on land owned by a community land trust. Developed by

CDS Co-operatives, mutual home ownership is proposed as a new way for people to own a stake in the housing market.

Its intentions are to make it possible for households on modest incomes priced out of traditional home ownership to access the housing market. It treats housing as a consumer durable, not a speculative investment. Instead of owning an individual property or a percentage share of an individual property, resident members own equity shares in a portfolio of properties mutually owned by them and other residents built on land held as a community asset by a community land trust. The number of shares a member owns depends on what they can afford.

The more they earn, the more equity shares they can afford to finance through their monthly rental payments to the mutual. As incomes rise, they can buy more equity shares, and if incomes fall, rather than the member lose their home, they can sell equity shares if there is a willing buyer, or in specified circumstances, convert to a rental tenancy. The value of equity shares is linked to average earnings, which reduces risk for residents and retains affordability for future generations.

Tenant management

These are where tenants of local authorities or housing associations form organisations to take responsibility for the democratic management of features of the delivery of housing services through a management agreement and allowances negotiated with their landlord.

Some 250 tenant management organisations were established by local authority tenants in the 1980s and 1990s, many through a legal “Right to Manage” introduced in 1994 in England[?]. A small number of TMOs have been established through a voluntary agreement with housing associations, although this number is growing as a result of the transfer of local authority housing stock to housing associations. Commission case study Watmos Community Homes is a notable example of transferred tenant management organisations, where 8 TMOs in Walsall established their own independent joint housing association landlord.

Mutual and tenant owned transfer housing associations

Walterton and Elgin Community Homes became the only mutual housing association in England to emerge from Tenant Choice legislation in the 1990s. More recently, some local authority tenants and councillors, uncomfortable with the transfer of their homes to housing associations, wanted the option of transfer to tenant membership owned housing associations. Preston’s Community Gateway Association was the first tenant owned transfer association set up, with three subsequent gateway transfers and more potentially in development stages. Many have also been established in Wales, using

Community Mutual model. As well as this, Liverpool Mutual Homes also established itself as a membership based housing association, importing some features of the community gateway model, and in Scotland, before its abolition by the current Scottish Government Communities Scotland encouraged transfer housing associations to offer membership to their tenants.

Short life co-operatives

Where co-operatives take responsibility for unlettable properties for an indeterminate period of time, which can span several years. Short-life co-ops, largely operating in London, where many of its tenants might be eligible for social housing in other parts of the country, enter into a lease agreement with local authority, housing association or private sector landlords, and issue temporary tenancy agreements to their members. Westminster Housing Co-op, one of the largest housing coops in the country, is a short life co-op with agreements with landlords in several London boroughs.

Co-housing

Eight co-operative co-housing communities (with as many as 60 others at varying stages of development) have been established to provide a community-based approach to owner occupation (with the option of some shared ownership), with an emphasis on establishing mutual support networks (eg. for elderly people or families) through designing schemes to facilitate community interaction and the use of common space facilities. Springhill Co-housing in Stroud was the UK's first new build co-housing scheme. The Threshold Centre in Dorset is the first mixed tenure co-housing scheme to gain planning permission and Government funding and other Housing Associations are actively considering similar partnerships.

Community Land Trusts

In the UK, the role of Community Land Trusts (CLTs) have emerged as an important and relevant housing policy, with the potential to provide a critical role in achieving a better balance in housing supply. They work in rural and urban areas and are a flexible tool to meet a variety of community needs. They not only offer a number of options for rent and low-cost home ownership, but can also provide a mechanism for generating an income stream for reinvestment by the community. In areas where a rising population, economic investment and limited stocks of affordable homes threaten to exclude local people from the areas in which they live and work, CLTs are able to ensure a supply of affordable housing through the control of housing costs and resale prices.

What does co-operative housing look like in Scotland?

West Whitlawburn Housing Co-operative

Back in the late 1980s West Whitlawburn was a grim, grey place. The area was experiencing all the classic signs and symptoms of a local authority estate which was becoming more and more rundown, dilapidated and unattractive.

Poor quality housing, poor repairs and maintenance, no money for improvements, high crime rate, and problems with drug solvent abuse, high turnover, and very low demand for the area were all characteristics prevalent in the area.

Change

In 1989 the tenants decided to change this, no longer could they put up with such intolerable housing conditions. With the help of Glasgow City Council and the Housing Corporation the tenants took control and formed West Whitlawburn Housing Co-operative, it was a brave and courageous decision. "One day we were tenants, the next we were the Landlord," says Phil Welsh, MBE, who was the Chairperson of the original steering Committee. "We really had no choice, either continuing to live in unacceptable and deteriorating conditions or take control, seek housing grants from Scottish Homes and set about regenerating West Whitlawburn as an attractive, peaceful and high quality place to live," says Phil.

With the help of professional staff and over £50 million in grants from Scottish Homes/Communities Scotland the turnaround has been nothing short of miraculous. It has been a long, hard and sometimes frustrating road, but with a lot of hard work by voluntary tenant Committee members and committed professional staff and the support of the tenants the success has to be seen to be believed.

Success

WWHC do more than just provide, manage and maintain quality affordable housing. In 1996 WWHC established a thriving Community Centre, the Bonus Ball, with the help of funding from the Lottery, South Lanarkshire Council and Communities Scotland. The Centre runs a variety of social, recreational and educational activities and events, and is in the hub of the community. The Centre also employs a number of local people bringing much needed employment to the area.

Pioneers

In August 2007, the Co-operative members voted overwhelmingly to change the Co-operative's Rules to those of a Fully Mutual and Charitable Housing Co-operative and made history in the process. The Rule change makes the Co-operative more democratic and accountable to tenants, has financial benefits due to tax rates and relief, and also ensures the retention of the Co-operative's high quality housing stock in the social rented sector.

Improvements

Since its inception in 1989, West Whitlawburn Housing Co-operative has spent in excess of £50 million on improvements to the area.

These improvements have included the complete refurbishment of 6 blocks of multi storey flats; improvement of the local community centre; installation of CCTV throughout the area, and the building of 100 new terraced houses.

Edinburgh Student Housing Co-operative

With 106 members, Edinburgh Student Housing Co-operative Ltd (ESHC) is the largest student housing co-operative in the UK. We are members of Students for Cooperation and work closely with Birmingham Student Housing Co-operative and Sheffield Student Housing Co-operative currently the only other student housing co-ops in the UK.

First opening our doors in the summer of 2014, it was a massive achievement and one that took more than a year of work in preparation. We have been incredibly lucky to turn Wright's Houses into our new home. Although new to the UK, the student housing co-operative model is a popular one in North America and in countries around the world. It creates an opportunity for students to take control over their living, learn new skills, and live in an open and vibrant community.

The Idea

We wanted to establish autonomous, student-owned and -run housing co-operatives. We were fed up with extortionate rent, exploitative landlords, dodgy letting agencies, and substandard housing. We wanted to increase the amount of affordable housing for students and create a sustainable, non-exploitative, community-led housing co-operative as an alternative to the private rental market.

New Foundations model

The 'New Foundations' model can make a significant contribution in the supply of homes. It separates the cost of the land from the purchase price, by taking it out of the marketplace through a Community Land Trust. It ensures affordability through flexible monthly payments that are based on an affordable percentage of income. The deposit requirement proposed is a max of 10% of the equity shares being financed by the member, not the value of their house and could be as low as 5%. Any public subsidy is locked in and preserved for future generations, due to the structure of equity arrangements.

Unlike individual home ownership, where residents have a personal mortgage loan to buy a home, the homes are financed by a corporate loan borrowed by the co-operative. The value of the buildings is divided into shares and when members leave the co-operative, they are entitled to take the equity that they have built up with them. The net value of the shares is calculated by reference to a fair valuation formula set out in the departing member's occupancy agreement or lease, which is the same for all members. The rent is geared to be affordable at 35% of net household income, so the more residents earn the more they pay and the more equity shares they are able to own and finance.

What is the Co-operative Party's existing housing policy?

There needs to be a greater understanding by national and local government about the role of the different types of co-operative housing. There is a growing body of evidence to show that housing cooperatives are good for people and good for society. The studies show that:

- Co-operatives out perform all other types of social landlord on all measures of performance.
- They create housing neighbourhoods that are socially, economically and environmentally sustainable.
- Housing remains community owned and affordable for future generations.
- Because of their 'grass roots' nature co-operatives help to create community 'buy-in' and local consent for housing development.
- Co-operative ownership has a unique capacity to attract new sources of institutional investment into the provision of affordable homes. This means that the homes built will be in addition to what can be currently achieved.
- Co-operatives help maintain the independence of older residents through mutual aid and support, reducing the demand on the state.

To realise this potential, the Co-operative Party has proposed a range of policies.

Finance

If co-operative housing sector is to grow, it must be able to access appropriate finance to support new developments.

As advocated within the 'New Foundations' model of co-operative housing, Government should work with the Co-operative Movement to develop a financial intermediary to raise and manage institutional investment in developing co-operative and mutual housing.

The Scottish Government should work with existing housing co-operatives that would be interested in using their assets to develop new homes. This has the potential to enable the growth of housing co-operatives particularly on smaller sites which are currently not being developed quickly enough.

Tenure

A second barrier to the growth of co-operative housing is the lack of a defined tenure that is suitable for new co-operative housing schemes.

The Co-operative Party is working with the co-operative housing movement to develop legislation at national level that enables and encourages housing co-ops.

Land

A major barrier for any type of housing development is the cost and acquisition of land. This is particularly true for social housing that is intended to be for those in housing need. Without guaranteed future revenue from the sale or rent of private properties, public and private developers argue it is difficult to deliver social housing. This equally applies to co-operative housing that is intended to provide homes for those in housing need.

To overcome this dilemma, the Co-operative Party proposes a range of policies regarding land use and co-operative housing:

We propose that a new national presumption should be established, in favour of change of land use being granted where land value uplift is to be captured for the benefit of the community. This will be an incentive to free-up more land for cooperative and community owned housing development.

We propose the Treasury green book valuation guidance should be amended in line with recommendations from RICS Land and Society Commission Report to ensure that 'best value' considerations in disposing of all publicly owned land take account of long term social and financial benefits.

Local authorities

Local government has a critical role to play in the further development of cooperative housing.

The Government should ensure that where local authorities do hold ballots on stock transfer, residents have the option of voting for a community led transfer.

Encouragement should be given to ensure that Tenant Management Organisations are constituted as cooperatives as evidence shows they provide an enhanced service and delivery real added social value.

Private Rented Sector

As private ownership and social housing becomes ever more difficult to access, the private rented sector will continue to grow.

Rogue landlords and estate agent fees for lettings continue to disadvantage those seeking rented accommodation. There should be a ban on unfair estate agent fees and work developed to create a Landlords co-operative which helps manage and market properties outside of the private sector.

Student Housing

With the housing market and student finance broken, students across the UK are doing away with landlords and setting up their own student housing co-operatives, with Edinburgh Student Housing Co-operative being the biggest in the UK. The Co-operative Party believes this model of student housing provides an alternative that can be expanded across the Scotland.

Scottish Co-operative Party Housing Policy

Co-operative Development Scotland is a major achievement of the previous Cooperative and Labour-led Scottish Executive. The time has come to have a review of how well it has worked and whether it has sufficient resources to fulfil its remit.

It is wrong that housing is an area which Co-operative Development Scotland is currently excluded from. Scotland needs a strong champion for housing cooperatives. Making Scotland's Councils Co-operative 2017 outlined our immediate priorities to support co-operative housing:

The Scottish Co-operative Party will promote housing co-operatives, and ensure that the co-operative model is included in any discussion of registered social landlords.

The party will also look to promote housing co-operatives in other sectors of the market, for example student housing co-operatives.

As part of the review of Co-operative Development Scotland which the Scottish Co-operative Party is calling for there should be a review support for housing co-operatives, including whether Co-operative Development Scotland's remit should be expanded to include promoting housing co-operatives.

How to respond

The Scottish Co-operative Party will be organising events around this policy discussion. Local branches are also encouraged to hold events which focus on this policy document. Co-operative societies and individual members are also encouraged to respond to this policy paper. Anyone with an interest in housing policy is encouraged to respond.

Please send your policy suggestions to scotland@party.coop by 30 April 2019, the Scottish Co-operative Party will finalise its policy position at the Scottish Party Council meeting in June 2019.