

# Tenure options

This has two aspects. Firstly, how does the Cohousing group as a whole have tenure over the whole community property. Secondly, how do individual tenants within the Cohousing group have tenure over their own property within the community. Many cohousing projects have several individual tenure options at one time.

## Affordability

One possible aim of a cohousing project is to provide affordable housing for their members. Some communities extend this to ensuring that the housing stays permanently affordable, for future members. Usually there will be a rule that house prices are only allowed to rise in line with average national wage increases. This is often built into the foundation of the community's co-operative rules. In other cases it could be provided for via a covenant on the individual properties within the project. But in the latter case, there is a risk that the covenants could be susceptible to challenge in court, thus reversing the affordability intention.

## Tenure of the whole property

In principle the property as a whole could be owned by an individual, a small group of people, something like a housing association, or a housing co-operative. It could be owned outright or with a mortgage. Where the property was owned by an individual or a small group of people, these could be members and / or they could be social investors.

## Fully Mutual Housing Co-operative

- The co-op owns the property, usually via a mortgage
- Might need to use bootstrap money (issue loan-stock, members put in financial stake) to leverage further finance
- If necessary, get a top up loan from e.g. Radical Routes to reach deposit
- Mortgage for rest

## Other forms of Housing Co-operative

- The co-op owns the property, usually via a mortgage
- Members might be able to accumulate a deposit between themselves
- Mortgage for rest

## Social investor(s)

- The social investor(s) own the property, usually via a mortgage
- Investors might or might not be members, but would want a say on governance, and a place on the board

## Housing Association

- Might / might not (?) be in the form of a housing co-op or a social investment
- Usually act as a Registered Provider of social housing?
- Often has shared ownership schemes?

# Forms of individual tenure

## Fully Mutual Housing Co-operative (FMHC)

Members set up an organisation (the housing co-op) and raise money to purchase land, buildings or both to provide homes for the members. All the residents have to be members of the co-op, and all the members of the co-op have to be residents. Everyone is equal. The members / residents make joint decisions about the co-operative and how they want live.

### Individual tenure

- All residents have a share in the co-op - typically a £1 share
- Everyone pays rent to the co-op

### Pros

- Everyone has equal tenure
- Not necessary for everyone to have lots of capital
- The Co-op survives any coming or going
- Once the mortgage and any other loans have been paid off, rent could be very small - but some money should always be set aside for repairs, improvements, etc

### Cons

- Members do not build equity
- Could be hard to raise sufficient funds to start with
- Not many models of this working on a large scale

## Mutual Housing Ownership Society

Everyone pays a set percentage of their income to pay for shares in the co-op. You are allocated shares corresponding to the value of your house and a proportion of the communal facilities. Once you've paid off your house then just pay a maintenance fee. LILAC's version has a few tweaks. It is designed so houses are permanently affordable - housing price rises are limited to average wage increases. People with a high income also put money into the LILAC equity fund.

### Individual tenure

- Everyone pays a set percentage of their income to pay for shares in the co-op
- People with more income pay off their house faster
- Once you've paid off your house then just pay a maintenance fee

### Pros

- People get to build equity in their housing (unlike rent) and can take it with them if they leave
- Set percentage of income reflects the intention to be equitable

### Cons

- Complicated
- Could create perception of unfairness

- If live a long time in a situation with limited price rise, but then need to leave, your smaller equity increase would put you at a disadvantage in the outside housing market which has undergone speculative price rises

## Rental

Rent could be paid to a FMHC, in which case, see above. Could also be paid to a housing association (either full rent, or if you had shared ownership, part rent) or to (a company run by) social investor(s).

### Individual tenure

- Everyone pays rent to the co-op / housing association / company

### Pros

- No need to find a deposit up front - no need to have lots of capital
- Can be set up so residents have a strong say in how the community is run

### Cons

- Members do not build equity

## Social Rent

The rent, or some significant part of it, comes from benefits. This includes the situation where people are in work, but not earning enough to pay market rates. Typically found in communities run by housing associations. But some other types of cohousing communities, with mixed tenure (see below) also incorporate some housing for social rent.

### Individual tenure

- Rent is paid to the community, as above

### Pros

- No need to find a deposit up front - no need to have lots of capital
- Can be set up so residents have a strong say in how the community is run

### Cons

- Members do not build equity

## Outright Ownership

People own their homes either outright or with a conventional mortgage. The members share the cost and the use of the shared facilities. People who want to buy will have to meet whatever criteria exists for membership and commit to the aims and principles of the group. It would be possible to put a covenant in place to limit the potential house price rise, for example to no more than the average rise in wages.

### Community tenure

Maybe ownership / some ownership of common facilities, depending on how it's arranged.

### Individual tenure

Outright purchase of home, perhaps with mortgage. Either some outright purchase or rental of communal facilities.

### **Pros**

- Very simple structure
- Members build and retain equity

### **Cons**

- Members need to be able to finance deposit and mortgage
- If there was a covenant to limit house price rises, it could be open to challenge
- If there wasn't, then houses could become very expensive
- Could become exclusive

## **Shared Ownership / Part Rent**

Similar to outright ownership. People have a mortgage for a share in their home (usually 25% 50% 75%), and also pay rent (e.g. to a housing association) on the rest.

### **Pros**

- Initial capital requirement is lower than for outright ownership.
- Easier to get a mortgage for a percentage of the property if on a low income
- People retain and build equity
- Still a reasonably simple structure

### **Cons**

- People still have to be able to afford the mortgage
- Similarly, capital growth covenant could be open to challenge
- By the time you are paying your rent, your total outgoings are likely to be higher than if you just purchased. (Although Coho costs might be lower than conventional housing association, so rents could be lower.)

## **Mixed Tenure Schemes**

Combines elements of all / any of the above.

### **Pros**

- Flexible
- Inclusive

### **Cons**

- People on one form of tenure \*could\* be snobby about people on other forms of tenure

## **Please feel free to add**

Please feel free to add into the descriptions, the pros and/or the cons above. If you have other types of tenure in mind, please feel free to add. If there's anything else that is on your mind, please add below.