

4. Economic and institutional sustainability

This series of articles provides a summary of the discussions held with the *Yes, We Rent!* Advisory Council on how to consolidate and build on the projects' legacy in Mataró.

The basic financial mechanism of *Yes We Rent* in the pilot phase is the following: the EU grant –as initial investment– allows to finance renovation costs and other incentives for owners who in return cede their flat for 5 years to the project at below-market prices. With every flat that enters the scheme, capital is generated for the cooperative, as every member/tenant pays a monthly fee to the cooperative for using the flat. If a critical mass of flats enters the scheme and alimnts the cooperative's fund in this way, the pilot phase will initiate a virtuous cycle, where the cooperative can continue the mobilization of new flats to keep the housing stock it controls large enough to cover costs. The coop's viability plan estimates that 18 new flats are needed each year after the pilot phase.

“This type of project, to survive in the long run, it needs to scale and become a little bit bigger. Otherwise it cannot be sustainable.”

Sonia Arbaci Salazzero, Housing Researcher, UCL London

But sustainability is not just a question of numbers: as a precondition for being able to mobilise new flats, the cooperative needs to develop its technical capacities in parallel. New members of the cooperative need to be enabled to understand what a tenants' cooperative is about and get involved in its everyday

work, to strengthen the business according to their capacities. With none of the founding members of *Bloc Cooperatiu* having prior knowledge in the development of a tenants' cooperative, this is no easy task.

The pilot phase provided accompaniment and external advice to the founding members of *Bloc Cooperatiu*, and of course a lot of opportunities for learning by doing. But the management of a housing scheme is complex, and the process of capacity building will not be completed with the end of the pilot phase.

The transition from the pilot phase to long-term sustainability also involves taking decisions about which services related to the management of the housing scheme can be provided by the cooperative itself (one could think of mobilizing new flats for the cooperative, housing mediation) and which are better left to external partners, as they may demand know-how that is difficult to build up over a few years (e.g. conducting renovation works to bring the newly mobilized flats up to standard).

Although the process of setting up the tenants' cooperative *Bloc Cooperatiu* went as fast as one could have possibly imagined, the transition to the afterlife of the EU-funded project has still many unknown parameters. They include factors, which are internal to the cooperative (e.g. its capacity to attract new flats), the relationships with owners and whether they will stay with the scheme after the 5 years and the nature of support from the side of the municipality.

Four scenarios for the future

From an interview with Lluís Ferrer and Ivet Compañó, Bloc Cooperatiu

Scenario 1

"Perhaps we have to close down. It's a possibility. The leases finish, we haven't managed to secure more flats for the scheme because we haven't established enough of a reputation, the flat leases have come to an end, and we feel we can't achieve anything more. For each contract, the landlords will speak with the tenants about adapting it to the new conditions, but the project is over." LF

Scenario 2

"We make our brand visible in the city and we continue to mobilise new flats for the scheme –flats that were empty, because there are still many empty flats, this is an inexhaustible market! So we do it. According to the viability plan, we need to mobilise 18 flats per year in order for the project to be sustainable. So we manage. Great!" LF

Scenario 3

"There are other ways to work on housing and transform it. Why don't we look for opportunities to build new constructions? So 30 members of Bloc Cooperatiu take on another line of business: construction." LF

Scenario 4

"We manage to make this minimally viable and the City Council realizes that it has a tool set up by the citizens of Mataró and we enter into a tandem of collaboration so that Bloc Cooperatiu carries out some of the actions identified in the city's local Housing Plan. We tend to forget this, but the administration is us, too, we have some staff in the administration working for the citizen but through a citizens' initiative we manage to generate a new way of working between the administration and citizenry, a social enterprise - for me this would be a triumph." IC



Lluís Ferrer

Bloc Cooperatiu, Fundació Unió de Cooperadors de Mataró



Ivet Compañó

Bloc Cooperatiu, Fundació Unió de Cooperadors de Mataró

Cross-subsidisation as main strategy for economic sustainability

The members of the Yes, We Rent! Advisory Council were unanimous in that the relationship between the city council and the new cooperative should not change abruptly from full support during the pilot phase to no support once the pilot phase has ended. After all, the city council has invested a lot of effort into supporting the set up of the cooperative, which makes it seem counterintuitive to stop this support entirely once the EU-funding ends. At the same time, it also seems clear that support has to be adapted to the new, post-project situation.

One of the elements of transition from the pilot phase to a more mature and sustainable relation between city council and cooperative is moving from a bilateral relationship between the city council and the cooperative to a wider local ecosystem for the social and collaborative economy (see article 3).

The most common endogenous economic strategy for the housing cooperative to become sustainable is to diversify its housing stock into different segments, which "cross-subsidise" each other, through contributions of tenants or public subsidies for vulnerable groups in some of the housing units, and thereby allow offering below-market prices in others. A greater diversity of housing types and target groups is also a good strategy to reduce risks.

targeting middle-income groups

Firstly, cross-subsidisation can be done by targeting middle-income groups, who might be able to find rental housing on the market, but value the security that the cooperative offers and perhaps have affinities with the cooperative's organisational model. The slightly higher rents that the middle income groups pay would then allow to subsidise lower rents for cooperative members who are most in need.

public subsidies for vulnerable groups

A second type of cross-subsidisation consists of becoming a provider for social housing or housing for other groups that are subsidised by the state (e.g. housing first programmes for formerly homeless people, subsidized housing for young people etc). The subsidies that the cooperative receives to provide housing for these groups then can generate resources to provide affordable housing for other target groups that are in need of affordable housing without being an officially supported group.

Coin Street, London as an example for cross-subsidisation

The London-based Coin Street housing cooperative uses a social market strategy: one part of the cooperative is affordable and at arm's length of the local authority, which means that the selection of the potential residents follows the criteria of the local authority that places directly vulnerable populations in the flats. The other part of the development is put on the market, at market price. Because Coin Street is a nonprofit organization by law, whatever profit is made will be reinvested. The cooperative creates a profit out of one section working under lease by the cooperative, and cross-subsidizes the other part which actually is dedicated for truly affordable office or housing. This is the model that Coin Street has been following successfully for more than 40 years.

Information provided by Sonia Arbaci, Sallazzaro, UCL London.

cooperation with local employers

Reconnecting with a traditional model of financing cooperative housing, cooperatives can seek to build cooperation with public or private employers who face problems with hiring staff due to the shortage of affordable housing. Such employers would provide the cooperative with a grant or a long-term credit at very generous conditions and in return be allowed to place its employees in housing offered by the cooperative. In this way, the company flats can allow the cooperative to grow and subsidise other segments of the housing stock.

“We see that employer housing is coming back, especially in housing markets where we have a big problem for middle incomes. Cities cannot function without those key workers who keep our cities running, and we see more and more that those middle incomes cannot find an accommodation in the city, especially those who need to live in the city center, so the teachers, the nurses, the policemen and the bus drivers, who work shifts and need to get to work very fast. You cannot put them one hour away, because then the city will not run. We see more and more employers, such as hospitals or the police who say, okay, we are going to be landlords, we built up our own cooperatives, providing houses for the people working for us. This is an idea that I would recommend to our colleagues in Mataró and that might be a game changer.”

Barbara Steenberger, International Union of Tenants

cross-subsidisation through commercial spaces

Should the cooperative start to acquire whole buildings instead of individual flats, it can also cross-subsidise affordable housing by renting out commercial and office spaces at market prices, which is another strategy that cooperatives have used for a long time.

cross-subsidisation through housing-plus type services

Quite naturally, the cooperative might start to develop services to its members and owners to guarantee its functioning on a day-to-day basis, such as cleaning and maintenance, mediation, support for persons with special needs such as elderly people or even services around labour market inclusion. Once the cooperative has developed expertise in providing such services, they can be offered externally to again cross-subsidise affordable housing in the cooperative.

Diversification of housing stocks and legal forms of occupation

In the long-term, Bloc Cooperatiu and the city hall can consider extending their housing units from formerly vacant private property to other market segments. Following Barcelona's development trajectory or the Brussels Community Land Trust, the cooperation between city and cooperative could extend to forms that offer a more stable housing stock through the cession of land for construction and the joint purchase (in Spanish/Catalan: co-compra) of existing buildings.

In the first case, the city council cedes land to non-profit social housing providers to build social housing units. The new construction of housing

involves greater financial risks than in the current model based on existing property, but these can be mitigated e.g. by favourable long-term credits by public administrations and public investment banks.

In the second case of joint purchase, the local authority and cooperative together buy a house based on a contract, which gives the right to the council to place applicants from its social housing list in a part of the flats (which is determined by its share of the selling price). In this model, the city council can also make use of its preferential right to buy (in Spanish: *tanteo y retracto*) to buy buildings which are for sale, for instance in public auctions.

Summary and outlook

Building capacity for managing affordable housing stock and mobilizing new units is a key precondition for the affordable housing scheme to be sustainable. In this, the cooperative will need ongoing support from the municipality and a future ecosystem of civil society and other actors involved in the production of cooperative and affordable housing.

As main strategy towards sustainability, an extension of the cooperative's activities to other housing types and other services seems the most promising approach. This strategy allows "cross-subsidising" affordable housing prices through the generation of profits in other sectors, e.g. through public subsidies for the provision of social housing, or by renting out a part of the housing at market prices. This strategy can go beyond the sector of privately owned flats and be supported by the joint purchase of housing between the city and the cooperative.

Yes, We Rent! Advisory Council

We would like to thank

- Eduardo González de Molina Soler
Universitat Pompeu Fabra
- Michaela Kauer
City of Vienna
- Núria Lambea Llop
Universitat Rovira i Virgili
- Alice Pittini
Housing Europe
- Sonia Sallazzaro Arbaci
University College London
- Joaquín de Santos
Community Land Trust Bruxelles
- Barbara Steenbergen
International Union of Tenants

for generously sharing their knowledge and expertise with the *Yes, We Rent!* team.