

But the co-op residents still do a few other things together. Last summer, for instance, they held a rummage sale to raise money for landscaping.

Financing continues to be a worry. Rents are still well below the market price on surrounding blocks. Here, monthly payments for a 5 1/2 room apartment are only \$375 (not including heat), just over half the going rate in the area. But the subsidies provided by various levels of government for low-income people have dropped. No one has had to move out yet but there is worry about the long-term effect as governments continue to tighten budgets amid the current recession hitting Quebec and the rest of Canada, combined with a huge federal deficit.

"Everything was done to make the project happen, no matter what," says another former resident. "When you do that, you make whatever deal you can at the time given the politics and the rules. For example, the financing was done with 'smoke and mirrors' just to get the project done. And people may not feel the effects for years. But eventually they may not be able to afford this so-called affordable housing."

Would selling the co-op properties be an option? At the time they were set up, there was a specific anti-speculation clause that residents had to agree to. "We own the buildings," says O'Callaghan, "but there is one corporation representing all the co-ops that owns the land." This corporation would have to agree to sell before the residents could actually do it. But there is really no thought of that now. Where else could they live in such comfort, in a central location, with such low monthly charges, and still make most of the decisions themselves?

Richard Elson sees things somewhat differently. After being a co-op member for ten years, he moved last year and bought his own home in another neighborhood. The reasons? Some revolved around his new family. He and his wife felt the near-downtown neighborhood was not the best place to raise children.

But Elson, one of the founders of his co-op and an eleven-year resident of the area, had other reasons for leaving. Although he feels positive about the Milton Park venture as a whole and went through hundreds of meetings as an early enthusiast, in the long-run he experienced considerable disappointment over the final arrangements. His chief criticism is that SAMP (the Society for the Improvement of Milton Park) should have transferred the land, as well as the buildings, to the co-ops. The organizers "should have trusted people to run their own lives and run their own organizations. They chose not to. I understand why they did that but I don't think it was right."

Elson's rent went up 300% while he remained in the co-op, from \$157 a month to \$510, for a seven-room apartment. Still a bargain, to be sure, but as he was on the receiving end of organizers' efforts to rationalize the rent-and-space disparity that existed between one co-op and another, and even within co-ops, Elson felt his years of effort were not being recognized or rewarded.

Some co-ops, and some individuals, benefitted at the expense of others. Eventually that soured the idealism of the project for people such as Elson, and, like him, they moved.

There were also personality and power trips that went on in some co-ops that simply became too much for some residents and may account for some of the turnover experienced.

### WHO RUNS WHAT

"The administrative and legal realities were much more complex than many residents realize," says Lucia Kowaluk. Even before the co-ops were finished, people began receiving notices in their mailboxes from heavy-breathing real estate agents. Would they like to sell? As the residents were sitting on prime near-downtown property, the temptation to sell to the private market would have been enormous unless a binding agreement was reached—and quickly.

Between 1985 and 1987, an agreement putting conditions on ownership was hammered out to ensure that the properties would remain as low-cost co-operative housing. Seven conditions of sale were put on ownership. The most important, ensuring the land would never revert to the private market for a profit, was that the land can never be sold except for the remainder of the mortgage. If an entire co-op did want to dissolve, its assets would first have to be offered to the other Milton Park co-ops, then to all other co-ops in Montreal.

The other important condition governs incomes of incoming residents. Of every group of five applicants accepted by any of the co-ops, at least two must be on low, fixed incomes (e.g., pensioners), two must be working but low-income (no more than 25% above the minimum wage), and one can be an individual or family receiving an average income. Once applicants are accepted, there is no further check on incomes so it is possible to remain even though one's income increases considerably.

Other conditions govern the size of a unit made available to single people or a couple so that larger units are reserved for families and no rooming-house units can be converted to larger dwellings.

Besides the "social" covenants, there are architectural ones as well. The facades cannot be changed at will and major interior changes affecting the heritage features cannot be made either. These conditions are contained in the Declaration of Co-Ownership, which took two years of weekly meetings, led by Robert Cohen, to negotiate amongst all the co-ops.

Within these overall requirements, the co-ops have complete autonomy and do their own selection of new residents. Consequently, each co-op has developed a distinctive personality. Some are viewed as right-wing, some left-wing,

two are overwhelmingly gay, some are perceived as French. In others the “heavy-weight” residents are English; some are nationalistic, favoring Quebec’s independence from Canada, even though it was largely federal funding that provided their housing; others seem apolitical.

In terms of administration, there are two levels. SAMP remains as a small administrative office taking care of various notarial problems regarding property lines, vacant lots, etc.— along with the one remaining resident who refused to join the co-ops and, as an experienced lawyer, has succeeded in tying up the co-ops, via lawsuits against SAMP, before the Quebec Rental Board for years.

On the community level, every co-op elects one delegate to the Association of Co-Owners. Nonprofit groups pool their selection of delegates. In all, there are 23 chosen, of which five are then elected as the administrators, or executive committee. This committee, together with a paid professional, is in charge of managing the co-ops, particularly the finances.

Amongst the delegates and administrators there is some jockeying for power and competing viewpoints. Most residents, though, are content not to get embroiled in anything much after their many years of struggle. Nevertheless, it is noteworthy that due to the size and complexity of the project and the negotiated agreements, it is necessary to have a professional administrator.

As Kowaluk notes, thorny issues do keep arising. For example, the Montreal Urban Community (MUC) wanted to impose taxes based on the market value of the properties, just as all other homes are evaluated. Housing costs would have sky-rocketed. Fortunately, the MUC accepted the proposition that, due to the co-ownership agreement, the land had no market value in the accepted sense. Residents now receive huge rebates on their taxes.

A political plus for Milton Park residents lies in their special relationship with the current City of Montreal administration. With the MCM (Montreal Citizens’ Movement) finally in power, John Gardiner is not only a member of city council but Vice President of the city’s powerful executive committee and the councillor responsible for housing. Reporting to him is Robert Cohen, now head of the city’s housing agency. But, as with many “special relationships,” this one too has soured somewhat as idealism clashes with reality. Both Gardiner and Cohen have been roundly criticized by some of their former supporters and colleagues for their handling of various housing and development projects in Montreal. In fact, critics claim, Gardiner and Cohen even backed developers against tenants in a proposed condominium project!

Nevertheless, thanks largely to their influence, and to patrons such as Phyllis Lambert, the Milton Park community and its neighbors have another thriving new asset. Strathearn School, a turn of the century building which had been vacant for ten years, was transformed into a community and cultural center for Milton Park and adjacent neighborhoods. Once again it was the indefatigable

Lucia Kowaluk who played a major role in securing Strathearn, arranging financing and renovation, and setting up a nonprofit group to administer the center jointly with the City of Montreal Recreation Department.

Among the community center's tenants are a welcome center for immigrants, a handicraft workshop for ex-psychiatric patients, a volunteer association that works with the elderly and handicapped in the area, a playwrights' workshop and theatre, and a federation representing nearly 350 housing co-operatives in the Greater Montreal area.

Another innovative feature of Milton Park is its relationship with several dozen commercial establishments leasing space from the co-ops. To administer these small businesses, a separate nonprofit organization was formed: the OSBL. It was open to all the co-ops but only 11 chose to get involved with the business end of things in their neighborhood. This group manages the properties and decides on the terms of leases, the rents, and the types of commercial concerns welcomed to the area. More importantly, the OSBL also owns and runs several businesses itself.

After canvassing the needs of the neighborhood, a franchise hardware store was opened. Hiring preference is given to residents. Consequently, several people who were considered "marginal" in terms of gaining regular employment elsewhere are now proud full-time workers in a business in which they have a considerable social stake. A novelty-item and gift store is also owned by the OSBL and has the same hiring policy.

As of March 1991, the fate of a third commercial establishment was providing a moral dilemma for the co-ops. For years it had been a cafe. But the cafe was badly managed and lost thousands of dollars until the OSBL took it over. Now it is weighing two offers for the location. One is from a pizza chain that would pay \$1000 rent a month. The other is from a community activist who would like to open a communal kitchen where low-income residents could receive advice from a nutritionist and prepare meals in common. Obviously, this would fulfill a social purpose in keeping with the philosophy of many co-op residents—but it would not bring in any rent!

Each year brings new challenges and innovations for Milton Park. Although it was a huge, expensive, specialized project that may never be repeated on the same scale, the project is proving to be a novel social experiment with ramifications for many other co-operative ventures. Its varied population, renovated heritage buildings, locally administered businesses, and new cultural center make Montreal's Milton Park an exciting place to live.

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# Part Two

## Public Policy Responses

### Introduction

Public policy responses can obstruct or encourage the formation of cooperatives and their acceptance as a legitimate form of ownership by the general society. The impact of lukewarm public policy is that any cooperative may hold a “niche” position in a locality, and represent a mere fraction of the total housing stock. Alternatively, policy can establish financial and legal institutions which endorse cooperatives and facilitate their growth throughout a municipality or country. The chapters which follow present a range of policy responses for Britain, the United States, Sweden, and Denmark.<sup>1</sup> The authors analyze the evolution of cooperative history within each country and detail the changing political twists and turns, advances and setbacks. The overall effect is to present an implicit comparison which shows a continuum of state support.

Knowledge about these histories is uneven among the general public, housing activists, and scholars of housing. The latter may be unaware of the history of his or her own country and know little about other countries. Housing activists, particularly in countries where public policies marginalize cooperatives, are engaged in everyday struggles that occur in either forming or managing cooperatives, and this has priority over digging into past policies. Where a country has dismantled experiments, as occurred in the United States, only faint traces remain from which to glean lessons. The loss of these histories leads to gaps in understanding the cooperative as a housing option, precludes learning from past mistakes or successes, and obscures information which might provide clues about lobbying for co-ops. Taken together, these chapters begin to rectify the omissions in other anthologies on housing and on cooperatives.

In the following pages, certain events assume varying degrees of prominence as catalysts for forming or sustaining cooperatives: rapid industrialization and urbanization at the turn of the century; devastation of existing stock from World War I; depressed economies in the thirties accompanied by massive unemployment; pent up demand after World War II exhibited in overcrowding and homelessness; economic recessions in the post-sixties along with rents and sales prices rising and incomes stagnating; and a backlog of abandoned housing. During any one time period, powerful proponents of

cooperatives may step forward, but in their absence support may collapse. In some countries increased immigration overwhelms the affordable housing supply, and immigrants may organize themselves to promote co-ops, drawing on experiences from the countries from which they emigrated. In the more recent histories of the four countries, cooperatives have been gaining favor precisely because government subsidies are being withdrawn from other forms of rental housing at the same time as individual households are paying higher percentages of their income for rent.

Any of these factors fluctuate over the years and in their importance in each of the four countries, but in all cases cooperatives emerge under conditions of housing crisis when the supply of affordable housing diminishes and demand increases. That demand may be put forth by a unified group of workers and consumers in their own behalf or enlightened interests in politics, business and philanthropy.

Differences among the four countries are explicit. Nations with pro-active cooperative policies continue programs in post-crises periods, and under conditions where an organized constituency, formally or informally, watches for signs of government support being dismantled. In some cases, national institutions or federations which are created to encourage and subsidize cooperatives may assume a primary role in sustaining the public response, or the representative groups of consumers may play this role, for example through union auspices. Conversely, a cooperative federation may be weak and dissolve, leaving a vacuum at the national level. In contrast, in the United States, housing is only intermittently part of the national debate, much less linked with a major political party. But even when housing is more integrated into government policy, as in Britain, cooperatives do not always have a high profile.

Where strong support emerges for cooperatives, public policy usually takes the following path: an initial period of start-up is followed by institutionalization, consolidation, and then expansion. These stages may not occur one right after the other, and the phases may even occur decades apart. Public policies may shift as one type of cooperative is favored over another. In the absence of national or municipal endorsement of cooperatives, as the case studies in Part One show, co-op formation may start as a reaction to and rejection of public policies such as condemnation of existing housing and designation of renewal projects. In such situations, government support occurs piecemeal, frequently after bouts of confrontation and negotiation between residents facing displacement and public officials intent on implementing their plans. In selected cases, a committed bureaucrat within a government agency may offset the general bureaucratic hostility or indifference. The success in forming a cooperative by one group of residents does not translate into automatic extension of support to others. The development of a jurisdiction-wide policy response may emerge

when fundamental economic and social dislocations happen and a broader population is affected. Even under such circumstances, as in the history of the United States, private sector interests wielded extensive power after the crisis passed, forced the government to sell existing cooperative developments and placed obstacles in the way of transforming rentals into cooperatives. Similarly today, the private market in the United States is being privileged as the model pending the dissolution of the public rental housing inventory.

Public policies are not static in countries which enjoy a strong legacy of cooperative support. Over time, programs reconfigure as governments change and as politicians and bureaucrats debate the degree of public subsidies for different forms of ownership and occupancy. For example, policies may favor state-established authorities for rental occupancy and then shift to owner-occupied and cooperative occupancy, or ownership-occupied cooperatives are more heavily subsidized than non-member-owned. The presence or absence of financial subsidies, coupled with regulations on speculation, may find cooperatives serving a group of residents different from the original group of beneficiaries. Tenant control may not always be part of the political backing and regulations. A centralized management institution may exert greater control than residents, or professional management companies are hired over tenant managers. These issues affect the types of democratic practices and social relations within cooperatives which are discussed in Part Three, but the roots of these issues lie in the histories discussed in the next five chapters.

A word should be said about the differences in terminology among the four countries. No attempt has been made to provide an overarching definition of social housing. Nor is it sufficient to consider the differences among the four countries in terms of public, private and nonprofit sectors. In each chapter, the author explains the concepts and provides definitions for terms that are appropriate to the histories they tell. Nonetheless, the reader should be able to find the recurring themes that have been briefly summarized in this introduction.

## NOTES

1. In Part One, Clare Helman's discussion of Milton Park provides information about the co-oping of Milton Park, a Canadian neighborhood in Montreal; in Part Three, Margaret Rodman and Matthew Cooper discuss the effects of mixing incomes in two Toronto cooperatives, and Sylvia Novac and Gerda Wekerle describe the role women play in cooperatives and how cooperatives facilitate women's lives in a co-op in Toronto. These chapters do not cover the history of Canadian policy and this brief note offers a few highlights that permit comparison with the other countries discussed here. Canada's first National Housing Act passed in 1938, but was abandoned at the start of World War II. A second Act was passed in 1944, and in 1946, the Central Mortgage and Housing Corporation (CMHC) was created as the administrative agency. In 1959, cooperative housing became a reality when a Winnipeg group—ten individuals, six organizations including a cooperative life insurance company, the district labor council, and Federated Cooperatives—successfully battled CMHC for funding Willow Park, a complex of 200 townhouses. Willow Park opened in 1966 and expanded in 1972 and 1974, first by 68 units, then by 102. During the next couple of years, isolated municipal or provincial funding for cooperatives was more characteristic than through national support. In 1968, the national Cooperative Housing Foundation formed and two years later, successfully persuaded the CMHC to part with some of their \$200 million "innovative fund." Prompted by the Cooperative Housing Foundation, a move to legalize innovations at the federal level led to Parliament amending the National Housing Act. By 1978, the number of housing cooperatives had increased to about 240, or 10,000 units. A peak year was 1980 when 31,400 units were funded. A decade later, the situation changed dramatically. The number of social housing units funded dropped to 15,000 in 1990, and to 8,200 units in 1992, when the federal program was eliminated.



## THE HIDDEN HISTORY OF CO-OPERATIVE HOUSING IN BRITAIN

Johnston Birchall

In Britain, ever since housing became part of the debate over government policy, co-operative housing has almost always been kept off the political agenda, sometimes because policy-makers have been hostile to it, more often because they were ignorant that it was even a possibility. So dominant have been the three major forms of tenure—private renting, owner occupation and public rented housing—that it is important firstly to establish the logical possibility of co-operatives. This can be done by means of a simple matrix which contrasts individual versus collective forms of provision and landlord versus dweller forms of control. The contrast of landlord- and dweller-controlled housing is obvious, while the contrast between individual and collective describes not the form which investment takes (because this varies even in co-ops), but whether the organisation exists primarily to meet general housing needs or for private profit.

<u>FORM OF PROVISION</u>		
<u>FORM OF CONTROL</u>	<u>INDIVIDUAL</u>	<u>COLLECTIVE</u>
LANDLORD	Private Rented Sector	Public (and Philanthropic) Sector
DWELLER	Owner Occupation	Co-operative Sector

During the rapid urbanisation of the last century the 'individual landlord' form predominated; even in 1914, when the sector had begun to decline, almost 90% of dwellings in England and Wales were owned by private landlords. Some of the more prosperous artisans had opted for 'individual dweller control,' building their own homes through collective saving and building clubs which became the model for a later building society movement. In some areas this was quite extensive, but low wages and the ownership of land by large landlords (exacerbated by the enclosure of land which had been held in common) prevented more widespread use of self-help housing. Concern for the appalling

conditions faced not only by the poor but also by working class people in general in the cities was channelled into a small philanthropic housing association sector, which in the terms of the above matrix took the form of 'collective landlord control.' This sector's lack of access to capital and inability to house the poorest prevented significant growth (see Burnett, 1986).

The conventional wisdom among academics is that the decline in private renting, and the inability of the philanthropic sector to grow, led inevitably to state intervention in the form of 'council housing,' the direct provision and management of housing by local authorities. Since the First World War, the rapid growth of this state-sponsored 'collective landlord' form has led to an oscillation in policy between Conservative governments, the advocates of private renting and ownership on the one hand, and Labour governments, the advocates of municipal landlordism on the other. Between them, they have, until recently, been able to keep the idea of 'collective dweller control' a well-kept secret. One measure of the power of interest groups is their ability to keep some options off the agenda; the co-operative housing option almost disappeared from view for over forty years. Another measure of interest group power is the sanctioning of official histories which ignore as irrelevant those developments that do not fit the dominant picture. The history of those experiments which were undertaken is only beginning to be written, but the surprise is that in piecing together the history we have found far more co-operative developments, further back in history and far more successful both in their own terms and in their influence on housing policy, than anyone had anticipated.<sup>1</sup>

There have in fact been three waves of housing co-operative development in Britain. The first, beginning in 1901, can be labelled the *co-partnership phase*; the second, beginning in 1961, the *co-ownership phase*; and the third, beginning in 1974, the *common ownership/tenant management phase*. Their history, and that of experiments which led up to them, will now be outlined.

## THE HIDDEN HISTORY OF CO-PARTNERSHIP HOUSING

The earliest mutual aid forms in urban Britain were building clubs which dissolved as soon as all their members were housed; they were the equivalent of modern house-building co-ops (known in Britain as self-build; see Birchall, 1988a) and were relatively easy to organise. The continuing housing co-op, in contrast, implies a capability for organising a sustainable, long-term form of collective dweller-controlled tenure. So, in order to find the earliest housing co-op in Britain, we might begin by identifying those social movements that ought to have been able to sustain it. In the early nineteenth century there were three: the Owenite communities led by Robert Owen, some early consumer co-ops led by Dr. William King (both leaders had the aim of building co-operative

communities), and then the later, much more successful phase of consumer co-operation begun in Rochdale. The first movement, for Owenite communities, foundered from a variety of causes: "bad management, unsuitable colonists, insufficient capital and poor sites" (Bonner, 1970, p.15), not to mention the grandiosity of Owen himself. The second movement, which emerged during the 1820s, saw the founding of over 300 small trading co-ops, but it was a short-lived affair; all the co-operative shops died out during the economic recession of the 1830s (see Birchall, 1994).

Then in 1844 came the Rochdale Pioneers, who are important as much for the fact that they survived when so many others did not as for their famous principles, which codified the main elements of consumer cooperation. Their first aim was to open a shop, but their second was:

The building, purchasing or erecting of a number of houses in which those members desiring to assist each other in improving their domestic and social conditions may reside (Bonner, 1970, p.46).

Until recently it had been thought that the Rochdale Pioneers produced no genuinely co-operative housing, even though by the end of the century they, and other societies, had become large landlords and were lending money to members to enable them to become owner-occupiers. In fact, in 1861 some of the Pioneers (under the secretaryship of James Smithies) set up the Rochdale Co-operative Land and Building Company, whose aim was to build "a superior class of dwelling for the working man" (Rochdale Pioneers, 1861). The impetus came from a jealous local shopkeeper who, as was quite usual in those days, was also a small landlord. He decided to raise the rents of some tenants who were members of the Rochdale Society of Equitable Pioneers (and who therefore did not patronise his shop), declaring that "they should not have all the dividends to themselves" (Holyoake, 1907, p.137).

Though the Land and Building Company was registered as an ordinary joint stock company, it was expected that the tenants as well as outside shareholders would invest in it, so that it would become the "joint property of the occupiers and others taking out shares" (Cole, 1944, p.92). It was not so much a mutual co-op as a co-partnership, but we should probably still give it the honour of being the world's first housing co-op. As far as we know, only 25 homes were built, of which 20 still exist: a block of 11 terraced houses on the Spotland Road which are architecturally undistinguished but quite large, and a row of nine very small cottages at the back, probably built in response to a complaint from members that the rents on the first block proved far too high<sup>2</sup>. The company seems to have gotten into financial difficulty; it borrowed £2000 on a mortgage from the Pioneers' Society, whose committee members were, by 1868, becoming increasingly nervous about being paid back. By 1869 all references to the Company had ceased, and we must as-

sume that it was taken over by the larger Society whose members had themselves begun to build a 'co-operative estate' consisting of five rows of 84 houses in another part of town (Rochdale Pioneers, 1862-1870).

The difficulty the Land and Building Company had in obtaining capital contrasted with the growing problem in consumer co-ops of what to do with the surplus capital invested with them, and the logical solution was for the Rochdale Pioneers society itself to begin building. Unfortunately, this meant that the distinctive idea of a housing co-op was lost. Members of the Pioneers Society who were also tenants could, of course, exercise some rights at general meetings, but it was an indirect form of control. By the 1870s, even in the Co-operative Movement the 'individual landlord' had prevailed over the 'collective dweller' type of tenure.

Co-operators, through lack of a sense of history, have often 'reinvented the wheel' as far as cooperative structures are concerned. Just as the modern British housing co-op movement knows next to nothing of the first two phases (co-partnership and co-ownership), the first explicit attempt to form a housing co-partnership society in 1883 seems to owe nothing to this early Rochdale Co-operative Land and Building Company of twenty years earlier. The idea came to a co-op activist, Owen Greening, from an article by the French co-operator, Godin, and was then taken up by Benjamin Jones, London manager of the Co-operative Wholesale Society. The main problem was, as it had always been, that of how to provide good quality housing for low-income people, given the inevitably high initial financial commitment. A state loan (from the Public Works Loan Board) was by now available to Industrial and Provident Societies, but this would not cover more than two-thirds of the cost. Share and loan capital could be issued to prospective tenants, yet there would still have to be heavy reliance on outside shareholders. This would alienate control of the society from tenants, and so would undermine the co-operative principle of democratic control by consumers.

Jones took the traditional British 'Five percent philanthropy' housing association model, in which a limited return was guaranteed to investors but with excess profits ploughed back into the provision of housing for 'the labouring classes.' He then grafted on a tenant share-ownership (a minimal holding of £1), and hoped that if surplus profits were to be returned solely to tenants as a dividend credited to their share account, they might gradually increase their share of the equity and so gain control over the society. In 1887, after four years of promotional work, the Tenant Cooperators Ltd was founded. Even at that time, it was difficult to get over the prejudice in favour of individual owner-occupation, and as one committee member put it, 'Much time and energy had to be devoted to the necessary propaganda before a body of workers could be brought together to put principles into practice' (Yerbury, 1913, p.14). It was

not propaganda among working class people that paid off, though, but the cultivating of a small group of powerful men, such as Henry Vansittart Neale and Walter Hazell, who as well as being pillars of the consumer cooperative movement were also highly influential liberal politicians and businessmen, who could raise the necessary capital from among their friends.

This was the pattern for the mainstream Co-partnership Movement which would come another twenty years later (both Neale and Hazell figure among an impressive elite group who later backed the extension of the idea to the national level) but it proved to be a fatal weakness in Tenant Co-operators Ltd. Despite buying up or building a total of 122 houses and flats (210 dwellings in all), it never became a tenant-led organisation, but remained more like a philanthropic housing association. Firstly, its property was spread around five different sites, so the tenants had no chance to build up a sense of community. Secondly, the minimum £1 share was not enough to ensure tenants' commitment. Thirdly, because of problems in managing two badly designed schemes which were hard to let (tenants had not had any say in the design!), the committee had had no time to do any educational work among their tenant-members. When they wanted to raise the rents on some of their houses, they suffered the embarrassment of being taken to court by their own tenants, who obviously thought that they were just an ordinary landlord (the fact that the presiding judge not only dismissed the case but also subscribed £1000 of his own capital in the Society must have been some comfort to a disillusioned managing committee). Lastly, pressures to let the flats meant that tenants were allowed in without having to become members at all—the classic form of co-operative 'deformation.'

Yet the scheme was commercially sound, and it provided the basis for the first of the successful wave of co-partnerships which was set up in 1901 at Ealing in West London. A rule change was crucial; the tenant shareholding was increased to £50, payable in installments, which guaranteed commitment but limited the schemes to better-off skilled workers and clerks. A first attempt to expose their 'hidden history' led to a claim that 14 societies were formed from 1901 to 1912 and built 6595 dwellings for a population of 30-35,000 people (Birchall, 1988a). A more sustained attempt has now produced even more impressive figures for a movement whose existence had almost been forgotten: at least 54 societies were formed on the co-partnership model, and the movement was certainly as big, if not bigger, than the present-day British housing co-operative sector. At the time it was considered a national social movement which had the potential to become the main vehicle for housing development in suburbs and new towns in the future. Even more interesting is the fact that at least six are still in existence as tenant-controlled societies, four of which still operate under the old co-partnership rules; they must be among the oldest housing co-ops in existence.

## THE POLITICAL CONTEXT FOR PROMOTION

How can we account for such rapid growth of a co-operative movement at that particular point in time and space? There are at least five important factors in the growth of any co-operative movement: a felt need which must be met; tried and tested co-operative structures; influential promoters; a favourable climate of opinion; and financial and legal resources which can be drawn upon (see Birchall, 1988a).

Firstly, there was a felt need. Average incomes had been rising during the second half of the nineteenth century, yet even well-paid artisans were living in overcrowded streets in cities which had grown up too quickly and without proper planning during the industrial revolution. New forms of transport—the railway and the tram—had opened up the prospect of suburban development, and in London a small apartment in town could be swapped for a large house in the suburbs, at a similar rent (see Burnett, 1986). There was therefore a strong demand for new housing. Secondly, the co-partnership structure had, as we have noted, been tried and tested by Tenant Co-operators Ltd and found to be financially sound. It combined a guaranteed return of capital to investors with a limit of 5% on share capital and 4% on loan stock, but then returned surpluses to the tenants; any rent arrears could then be deducted from their share accounts. It insisted that tenants take out a substantial shareholding, but allowed payment by installments. It limited all shareholdings to £200 per person, thus preventing individual take-overs of the societies for private profit, and it guaranteed that tenants would have representatives on the committee.

Thirdly, there were plenty of influential promoters of the idea. Co-partnership was not so much a movement as a method which several strong social movements came simultaneously to see as relevant. Housing reformers such as J.S. Nettlefold advocated it (Nettlefold, 1910), and the prospectuses of new societies always emphasised the benefits to health; death rates (particularly infant mortality) on established co-partnership estates were considerably lower than in the towns. More particularly, there was a Labour Co-partnership movement which had applied the same methods to businesses with some success; Henry Vivian, the movement's main promoter and a Liberal MP, was secretary of the Labour Association and set up General Builders Ltd, from whose members the first committee of the Ealing Tenants Ltd was formed. Strong support came from the consumer co-operative movement, which by now was a very powerful force; E.V. Neale, E.O. Greening and the revered J.G. Holyoake gave their support and invested in the societies, while the Manchester Tenants Ltd was set up by employees of the Co-operative Wholesale Society.

The Garden City movement, which was the forerunner of town planning in Britain, saw co-partnership as integral to the whole idea of the garden city, suburb or village, because it allowed for both the initial planning of a whole estate and for its preservation by a society which both harnessed and transcended

individual interests. Both Ebenezer Howard the visionary and Raymond Unwin the architect of the movement played an active part, the latter laying out most of the sites and acting as consultant to the movement's national federation, Co-partnership Tenants Ltd (Howard, 1902, Unwin, 1911). Five co-partnership societies undertook the major part of the development of Hampstead Garden Suburb, producing 5,650 homes. One society provided 323 homes at the first garden city, Letchworth, and many of the societies were also known locally by names which included the term 'garden village' or 'garden suburb.' Lastly, there was the influence of philanthropists such as George Cadbury, Joseph Rowntree and Lord Lever, who built industrial villages which illustrated the virtues of planned development; Bournville Tenants Ltd developed on land made available at Cadbury's village.

All this support was expressed via an impressive elite of powerful individuals—Liberal members of Parliament, land-owning aristocrats, industrial philanthropists, church leaders and social reformers—who were active in some or all of these social movements, often at the same time; they had in effect a set of 'interlocking directorships.' This does not imply, though, that the tenant-members of societies were necessarily over-awed by these 'great men.' This was the golden age of liberalism in Britain, in which a liberal political elite was anxious to ally itself with working class institutions such as the consumer co-ops. So it was not at all uncommon for self-educated working men to work closely with members of Parliament and landed gentry on committees, and even in a few cases themselves to become MPs.<sup>3</sup>

How can we account for such a positive climate of opinion? Co-partnership meant different things to different people. It was seen as a way of solving the housing problem without recourse to state intervention through municipal housing, because in harnessing the economic benefits of cooperation (land at wholesale prices, direct labour building, etc.) it produced good quality, cheap housing. It was seen as an example to private landlords of how to lay out new suburbs with regard to more than just private profit from individual plots, and as an example to municipal and voluntary sector landlords of how to involve and enlist the active support of tenants. Utopian socialists supported it as a way of building new, self-sufficient communities which looked back to the medieval town and village; Unwin's designs are instantly recognisable, with steeply gabled houses grouped around village greens. Town planners saw in it a way of creating unified street patterns; Unwin laid out curving, tree-lined roads, cul de sacs and with generous amounts of open space. The 'back to the land movement' approved of the generous gardens and provision for allotments which would allow people to grow much of their own food. Liberal politicians saw it as a way of defusing class conflict, and harmonising the interests of landlord and tenant (as labour co-partnership was supposed to do for capital and labour) by giving each their due.

All this support enabled land and finance to be made available, but it did not make much impression on the state. Demands for preferential treatment were simply not made at this time; the ingredients for successful development were thought to be already present in the Industrial and Provident Societies Act of 1898, and the availability of a low-interest loan from the Public Works Loan Board (available for all public utility societies). That the societies could not hope to house the poorest third of the population was cause for criticism from some quarters (see Yerbury, 1913); yet with plenty of demand from middle-income people wanting to escape the grim, overcrowded city centres, and with rents proving consistently to be below those of private landlords, the reformers had room for complacency.

### DEVELOPMENT OF THE MOVEMENT

The key to the rapid growth of the movement was a national-level organisation which as Vivian described it was able to 'mould societies and guide them in their infancy' (Vivian, 1906). In 1905 the Labour Co-partnership Association set up a Co-partnership Tenants Housing Council, which by 1907 had been turned into a federation of societies, the Co-partnership Tenants Ltd. It proved to be the powerhouse of development, advising societies on setting up, publishing propaganda and model rules, providing estate layouts and standard house designs, negotiating land deals and finance, pooling orders through a central purchasing department, and even setting up two labour co-partnerships to make tiles, bricks and woodwork. This does not mean that individual societies handed over power; they set up sub-committees to scrutinise finance and design details, and raised share and loan capital, entered into land deals and so on, while relying on the federation for expert backup. There is evidence from some societies that individual tenants had considerable choice on which house they would take, its design, fitments and wall colourings.

Most societies seem to have set up direct works departments, though some used contractors, and they built with remarkable speed and efficiency, some completing hundreds of houses within a year of registering the Society. Compared with the later housing cooperative movements, they faced far fewer hold-ups, partly because they were in charge of their own design and building work, but mainly because their lack of reliance on state funding meant a complete absence of bureaucratic monitoring and interference. Out of 14 societies for which there are records, five built according to plan, four built more than intended and five built very much fewer. These last were held up with problems of land assembly or lack of share capital and did not reach their full potential; clearly there are limits to the growth of even the most dynamic voluntary movement, especially one which is completely unsubsidised.



## LONG-TERM OPERATION OF THE SOCIETIES

How democratic were the societies? It is hard to tell; they used representative rather than participatory forms, like most business organisations emphasising a strong board of directors who are elected at an annual meeting. At Ealing, which seems to have set the pattern for most societies, seven out of eleven committee members were tenants, and there were three sub-committees for finance, works and complaints; the last suggests that there was a willingness to listen to tenant members' views. The mass of members participated more through the social side of the estate, which was also highly organised; a social committee of which five were directly elected by the tenants, and three from the board, provided a very wide range of events and facilities. All the societies had playing fields, tennis and bowling greens, while the larger ones had club houses or institutes to upkeep, and their early social life consisted of regular pageants, plays, maypole dances, garden parties, and at first a range of lectures and other educational events.

Those societies which survive have fulfilled the founders' aspiration that they should eventually become completely tenant-controlled. For instance, Manchester tenants had a committee in 1956 which consisted of six each of tenant and non-tenant members (Manchester Tenants Ltd, 1956). It is now, in the early 1990s, completely tenant-controlled. At Sevenoaks, the tenants gained control from the 'philanthropists' in the 1920s, and still have a nine-member committee. Leicester shows perhaps a long-term trend; it only has six on the committee, finds it hard to persuade others to serve, and relies on older members to do the work. Yet it has quarterly general meetings, and, like the other surviving societies, has a genuine, if low-key commitment to democratic working. Of course, some of those societies which ceased to exist reported a decline in commitment, usually after the First World War, and this must have been one reason for the eventual takeover by outside property companies.

Social scientists often find a correlation between size and democracy (see Michels, 1949), and it is true that the largest five societies (at Hampstead Garden Suburb), which had over 5000 houses between them, merged during the 1930s back into the federal body, which then became a private property company, interested only in the sale of houses. But one of those which still exists (Harborne) has 500 houses, while some of the smaller societies (e.g., Stoke on Trent Tenants with 95 houses) were taken over, and their equity alienated to outside shareholders. More important than size was the level of commitment by tenant-members to buying out the non-tenant shareholders.

How were the societies managed? The larger ones had full or part-time managers, while the smaller ones relied on the committee to do the work. Of the six which are known still to exist, four are completely self-managing, while Harborne has a full-time, and Manchester a part-time manager. There is evi-

dence that while they have been under tenant control the societies have always been well managed; early on they paid dividends to tenants, though those which still exist tend to work on a 'cost rent' basis, setting rents which just cover repair and maintenance costs and the fixed five percent return on share-holdings. The pattern seems to be that, while the society is formally responsible for the upkeep of the whole dwelling, in practice tenants see to the inside of the houses, doing their own modernisation work to bathrooms and kitchens, while the society does effective cyclical maintenance and planned renewal to the exterior. Though they have not been able to set aside money for a sinking fund, they have put great stress on regular maintenance, and the properties seem to be in good condition.<sup>4</sup>

Why, then, did most societies cease to exist as independent entities? Firstly, in 1914 the World War disrupted the Movement, stopping societies from building, conscripting their menfolk into the armed forces, and weakening the sense of local community; this was especially true in the largest concentration of co-partnerships, Hampstead Garden Suburb, where it was said the community was never the same again. Secondly, after the war the political forces which had shaped co-partnership fell away: the Liberal Party declined in competition with the new Labour Party, and the old class harmony model of society gave way to a sharper one of class conflict which made the idea of co-partnership seem old-fashioned and naive. Thirdly, some of the leaders of the movement died while others were co-opted by new movements; Raymond Unwin was appointed chief architect to the Ministry of Health and became an ardent supporter of council housing. By 1930, when Henry Vivian died, his death was openly being spoken of as the death of a movement:

In the 1930s, co-partnership appeared old-fashioned, if not moribund; co-operation had been swallowed up in state socialism; the garden city concept was to all appearances dead (Tims, 1966, p. 38).

Fourthly, in consequence of the decline of liberalism and rise of Labour, the idea of the voluntary public utility society lost ground to the municipal socialist belief that local authorities should be the main vehicle for house-building; the Wheatley Act of 1919 provided generous state subsidies to local authorities which gave them the incentive to build council housing on a massive scale.<sup>5</sup> Fifthly, the community life of the estates was weakened further by the fact that as other estates were built up round them they began to lose their distinctiveness. Attempts to revive the pre-war enthusiasm for pageants, Maypole dancing, and earnest evening lectures at the Institute were only partly successful. Improvements in formal education for working class people were making self-improvement less necessary, while the municipality was taking on a range of functions previously carried out by the co-partnership society: lending libraries, parks, play facilities and so on.

Sixthly, the political sidelining of the movement led to their being included in rent control legislation introduced in 1915 but only partially relaxed during the 1920s. The combination of rent controls, high interest rates and high building costs deterred most (but not all) societies from continuing to build, led some to have to sell houses to pay debts, and then led some of the larger ones (Ealing, Hampstead, Liverpool) to seek to be taken over by the federal body, which was then itself taken over by a conventionally capitalist property company. Seventhly, co-operation between co-ops, the traditional defence against take-overs and the dilution of a movement, seems to have been generally lacking. Like many modern co-ops, individual societies had been content to go their own way, some disaffiliating from their federal body as soon as they had finished building, some never affiliating in the first place. Only two societies widened their vision by extending into cooperative retailing, and they did not continue for long; in contrast to labour co-partnership societies which produced goods to sell in co-op shops, these housing societies seem to have been poorly integrated into the wider consumer co-operative movement.

Lastly, in areas where property values increased dramatically during the 1920s (notably the London societies) there was a growing temptation to privatise the estates. Large capital gains were offered to shareholders (£24 for each £10 share at Ealing), while some tenants wanted the chance to buy their homes at preferential prices, if only to sell immediately at a much higher vacant possession value. Those societies which have survived are mainly in areas where property prices did not rise so spectacularly during the inter-war period, where tenants have been able to secure the majority shareholding, and then have looked forward to the undoubted benefits of a cost rent regime: very low rents for large, well built dwellings on some of the best designed estates in Britain. One society (Harborne) became a private company in 1940, but remained under tenant control. It has fought off a hostile takeover bid from outside shareholders, showing that the benefits from collective dweller control under some circumstances can outweigh those of individual owner-occupation, even in a country where two-thirds of households are now owners.

## THE HIDDEN HISTORY OF CO-OWNERSHIP HOUSING

The next major phase of cooperative housing was co-ownership (see Birchall, 1988a, Clapham and Kintrea, 1988 and 1992). Unlike the first and third phases of development, this one did not have any precedents in individual experiments within Britain; the idea was imported from the Scandinavian housing cooperative. It began in 1961, producing rapid growth: by 1977, when the boom was over, 1,222 societies had been registered, owning over 40,000 dwellings.

## THE POLITICAL CONTEXT FOR PROMOTION

The idea of co-operative housing had been kept alive by the Co-operative Party (an offshoot of the consumer Co-operative Union), which since 1917 has been in alliance with the Labour Party, returning a small number of local councillors and members of Parliament under the banner 'Labour and Co-operative.' When the 1957 Housing Act gave local authorities the power to promote housing associations, the Secretary of the Co-operative Party, Harold Campbell, toured the country trying to persuade Labour authorities to promote co-ops, but in the Labour strongholds of the North of England and Scotland he met with little sympathy from politicians who were 'addicted to local authority housing' (Carbery, 1969, p. 176). Some small schemes were launched, however, in the South of England; Reg Freeson, who was a Labour and Co-operative councillor, founded three small co-ops in his own local authority of Willesden. Though Campbell and Freeson were not supported by a wider political movement, they had two chances personally to influence the course of housing policy: once in 1961 and again in 1974, when the political curtain opened briefly to allow co-operative housing on to the policy-making agenda.

In 1961, a Conservative government had identified two kinds of housing need which were not being met: good quality, private rented housing for people who needed to rent, and ways into home ownership for people who could not afford it. The first need was tackled by encouraging not-for-profit housing associations to build unsubsidised housing to rent, on a 'cost rent' basis, but there was concern that rents might be too high. Campbell had been pointing out the advantages of the Scandinavian co-ownership sector, and the government agreed to promote it alongside this 'cost rent' initiative. Co-ownership had the advantage over cost renting that it allowed tenants as members of the society to build up an equity stake over time, which might then be used to enter owner occupation. It also gave them a financial advantage that as joint owners the members would be eligible for tax relief on their communal mortgage, thus enabling rents to be kept down.

In 1964 a government agency, the Housing Corporation, was established with £100m of Treasury money and a pledge of £200m from building societies for a drive to create housing associations, half of which were to be co-ownerships. It might have been expected that the influence of Campbell, and the use of the Scandinavian co-operative model, would have guaranteed the development of a genuine co-operative movement. But the Housing Corporation was at first unenthusiastic about the idea, and dominated by professionals who refused to believe that tenants could run their own housing. It was only with the election of a Labour government in 1966, and the appointment of Campbell to the board of the Corporation, that co-ownership really got going. Unfortunately, the form it took reflected professional rather than co-operative

values; each society was to have 'founder members' to develop and then manage it, who would not necessarily belong to a secondary or 'mother' co-operative, but who could just be local architects, developers and estate agents looking for work. Eventually, ownership and control would be vested in the occupiers who would appoint a management committee to oversee the work of the managing agent, but there was no provision for their education in cooperative principles. Nor would they have a significant equity stake; in order to encourage young people to join, the Corporation required only a nominal shareholding, with gradual build up of a share in the collective equity which would be paid back in the form of a premium when they left the scheme. The whole emphasis was on a transitional form of tenure which would encourage people to move on to owner-occupation.

### DEVELOPMENT HISTORY

Development was led at the local level by professionals who were interested in the fee income the schemes would generate. There was little cost or quality control by government, and in most cases no involvement of the eventual co-owners in design. The Housing Corporation took a 'hands off' approach, did not see the danger in such unchecked professional power, and then when asked to support co-owners who wanted to sue architects and builders and to take over management from agents, gave little support. Eventually, the Corporation learned by these mistakes (after the expansion of housing associations from 1974, stopping professionals with an interest from being on management committees, and setting up elaborate mechanisms for quality control), but it was too late to help co-ownership.

Many schemes proved expensive, with cost over-runs which were passed on to the dwellers in high rents. They were often badly designed (for instance with flat roofs), and inferior materials and inadequate site supervision compounded the problems. The Council of Co-ownership Housing Societies (CCHS) declared that 'the promotion and development of co-ownership housing societies contained many improprieties for which individual co-owners ultimately have to pay,' and that the 'ingenuous approach to the activities of professionals and... failure to ensure effective supervision' by the Housing Corporation were partly to blame (Department of the Environment, 1975, p. 58). By the end of the 1970s, some schemes had to be demolished, and others were saved only by vigorous legal action by members who successfully sued architects and builders and then put right the defects themselves (Birchall, 1988a).

Finance proved problematic all along. The 1961 Housing Act made available £25m for both cost rent and co-ownership, but by the time the first three co-ownership societies had found a legal structure, most of the money had been spent. The 1964 Housing Act established the Housing Corporation to provide

loan capital for part of the cost of schemes, and loan guarantees to encourage building societies to provide the rest. While building societies were reluctant to lend more than half the cost, with an initial fund of £100m the Corporation was able to underwrite all the schemes which could be promoted, and the number of societies grew rapidly, particularly when in 1967 (under a Labour Government) mortgage tax relief was made available even if some co-owners were not earning enough to be individually eligible. Promoters of cost rent schemes switched to co-ownership to benefit from the same tax relief, though they were not at all interested in its cooperative aspects. The viability of schemes proved sensitive to interest rate fluctuations, and by the 1970s a combination of rising interest rates, and competition from associations and co-ops subsidised generously from 1974 under a new Housing Act, finally stopped any new societies from being formed.

### LONG-TERM OPERATION

Mistrust of the resident co-owners was evident from the beginning, in the Housing Corporation's guidance notes. It was recommended that managing agents continue to manage for six months after the residents had moved in. In practice, many agents ran their societies for years without informing the co-owners that they were anything more than tenants of the agent. Members usually found out their true legal status when defects in the dwellings forced them to act. They then found that they were paying fees to the agents which the latter had negotiated for themselves as founder members. They had to rely on their managing agents to put right defects and sue architects who the agents were financially associated with. Yet the Corporation staff were worried, not about the agents' breach of co-operative principle, but about its possible application by over-zealous residents; co-ownership was clearly seen more as a device for subsidising private renting than as a tenure form with rights attached.

While Housing Corporation staff were content to let the 'professionals' operate at arms length, they were uncomfortable with the whole idea of elected resident committees that wanted to take control of management. In uncharacteristically expressive language, they recommended that the Managing Society should be permitted to carry out the duties in the Agreement without pettifogging interference, or being required to report on the minutiae of its tasks (Housing Corporation, 1972, Para.6:12).

So they exercised detailed control over the management of the schemes. Societies had to obtain approval for rent setting, premium payments, and for changes of managing agents. This last requirement undermined members' attempts to wrest control from agents who had been imposed at the beginning of the schemes by 'founder-members' who had entered into long-term contracts, usually of seven years. These agents were found to be 'often remote, unac-

countable and inefficient' (Clapham and Kintrea, 1988, p.17), yet could not be removed until their contract terms were ending.

When they finally took on self-management, members found they had an over-complex tenure form which was difficult to administer. Five sets of model rules had been issued in a continually evolving structure which remained hard to understand, and whose legal status was in doubt. Members found that they were in a kind of limbo in between renting and owning: they were declared ineligible for rent rebates made available to poorer tenants on the grounds that they were owners, yet were denied insulation grants because they were not individual owners. They had no security of tenure, yet it was hard to evict co-owners who had defaulted on their rent. The internal financing of the schemes also proved difficult. When a co-owner left, the society had to fund a premium payment based on a very complex formula which even the Housing Corporation had difficulty working out. Each payment had to receive approval, and if necessary a loan was granted to the society to cover its cost. The burden of administration was out of all proportion to the benefits received.

Despite these difficulties, or perhaps because of them, many societies went through a process of self-education, group formation and politicisation, becoming as confident and committed as any cooperative group, but without any of the initial help from co-operative promoters. Often a fragile sense of community was formed, though it was constantly undermined by the high turnover of members leaving to become owner occupiers; the strength of the tenure in providing a 'stepping stone' to a more favoured tenure was also its abiding weakness.

All these problems led naturally to the exercise of the principle of 'co-operation between co-ops.' A Council of Co-ownership Housing Societies was formed in 1976. It was never really strong. Helped initially by a small Housing Corporation grant, it then had to become self-sufficient; but too few societies joined to make it the powerful federation the movement needed. It produced a magazine and some useful guidance notes, and represented 46 societies which had gotten into difficulties and were in a 'loss rent' status with the Corporation. In 1979, a Labour government offered these the chance to convert to a common ownership structure in return for some subsidy, but the next Conservative government had a more radical solution—the right to dissolve their societies.

In the 1980 Housing Act, co-owners were given the right to sell their societies and buy their homes individually. Most societies went quickly into liquidation, leaving only those for whom, because of debts incurred through putting right major defects, sales were not for the moment financially attractive. The CCHS contributed to its own demise by advising member organisations to sell, and it was wound up in 1983. Profits were usually in the region of £8,000 to £20,000, but some were spectacular; in one London society members bought

their apartments for £20,000 and immediately resold for around £150,000. There are still around a hundred societies left alive, but some of these can be expected to sell up at the point where the mortgage becomes significantly lower than the market value of the property. Some will continue as genuine co-ownership, though, because the members are mainly retired people for whom the benefits of collective dweller control still outweigh those of immediate capital gains.

### THE HIDDEN HISTORY OF COMMON-OWNERSHIP AND TENANT-MANAGED HOUSING

The last phase of development in Britain has produced three new types of co-op: common ownerships, tenant management and short-life. Common ownership occurs when the equity in a co-op is owned collectively by the members, but with each household only owning a nominal share (in Britain, usually of £1). Since the early 1970s, around 260 have been formed in England, of which half are in London, with concentrations in other cities such as Liverpool. They have mainly been sponsored through the Housing Corporation, receiving Housing Association Grants in the same way as other, more traditional housing associations. They tend to be quite small (averaging 40-50 households), having been developed at a time when there was a consensus that 'small is beautiful.' Around 20% are in newly built blocks of flats or estates (new build co-ops), 70% are in rehabilitated terraced houses concentrated in one neighbourhood (rehab co-ops), and the rest are a mixture of the two (Underwood et al, 1986).

In Scotland, there are about a dozen of these, developed through the equivalent of the Housing Corporation, Scottish Homes. They are overshadowed, though, by a peculiarly Scottish type, the community ownership co-op, of which over 30 have been developed, to take over run down local authority estates in Glasgow (and recently five other urban authorities). These co-ops range in size from 90 to over 300 homes, and their numbers are growing fast: in the four years from 1989 to 1993, four out of ten of all new housing associations were community ownerships, and their programme is set to increase in 1992/3 by 82%, to £39m. They have become a major force in tackling some of the worst urban deprivation in Europe. All of these common ownerships are also mutual, that is, only tenants are members. Urban renewal and rehabilitation work has also been carried out by community-based housing associations, which are almost indistinguishable in form from non-mutual co-ops (both include wider community representation on their boards but are still accountable to tenants). If these quasi-co-operative housing associations are included, we find over 40 community ownership co-ops in Scotland and several in London, and the form is becoming popular for those mutual co-ops which want to do wider development work. Several primary and secondary co-ops have recently converted, a trend which co-op purists see as a dilution of co-operative principles; but which



could equally be seen as a diffusion of them. So close are these two forms, the co-op and the community housing association, that in the Glasgow 'community ownership' policy, tenants wanting to take over their estates have been offered a choice between them (see Clapham and Kintrea, 1992).

Tenant self-management has developed in parallel to common ownership, though, from 1975 onwards, and there are now around 70 management co-ops in England and 30 in Scotland, which manage estates as agents for local authority and housing association landlords.<sup>6</sup> There is a concentration in London and Glasgow, and they tend to be larger than ownership co-ops (in England on estates of 50-250 dwellings, in Scotland of 200-1000). They are quite a strenuous form of co-operation, requiring that tenants be prepared to take on full responsibility for management (though this can be for all or just some of the services). Recently a less strenuous form, the 'estate management board,' has been developed by the government's Priority Estates Project, which specialises in the management of difficult-to-let council (i.e., local authority) estates. Like the community housing associations, this is a more diluted form, but it has proved easier to establish among tenants, and there are in 1993 around 60 of them, with another 50 planned; they are growing rapidly, and take on some very large estates of up to 1500 homes. Tenants share responsibility for management with housing managers and local councillors, though always being a majority on the management board.

Short-life co-ops are an intermediate tenure form, in that they manage, license or lease housing for a short time, usually from public sector landlords who intend to refurbish or demolish it in the future. There are about 200 of them, mostly quite small, and predominantly based in London (see National Federation of Housing Co-operatives, 1990).

### THE POLITICAL CONTEXT FOR PROMOTION

To those purists who believe that only common ownership is a true co-operative, the first housing co-op in Britain is the Dronfield Health and Housing Society, a small estate of 74 houses and 12 flats set up in a Derbyshire town in 1946. The promoters were a doctor, who wanted to set up a consumer-controlled health centre, and some retail co-operative activists. Because in such a 'par value' co-op members take out only a nominal shareholding of £1 each, capital had to be raised through loans; 90% was raised through the Public Works Loans Board and 10% from members. At first it was non-mutual, but recently the co-op has become fully mutual; only tenants can now be members. Like the remaining co-partnerships, it is a low-key affair, well managed by the members themselves, with planned cyclical maintenance, no rent arrears and low turnover. The doctor did not get his health centre (it turned into a social club), and the co-operative nature of the scheme is not emphasised, except in the historical introduction which new members receive in a leaflet.

Like the Rochdale Land and Building Company, this was a one-off development; the growth of a movement had to wait another quarter century. When it came there was an ideological commitment to common ownership, but it came more from the examples of the Industrial Common Ownership Movement (which was set up to promote worker-owned companies but had no roots in the cooperative movement) and the Canadian housing co-op movement (see Hands, 1975)—another example of the way in which cooperative models and ideas become hidden and resurface in unexpected ways.

During the late 1960s and early '70s, four types of need were identified to which co-ops might provide solutions: those of young, mobile people who needed to rent, of inner city residents whose homes were threatened by clearance programmes, of squatters, and of tenants living on badly run council estates. Broadly speaking, the first two needs could be met by ownership co-ops, the third by short-life, and the last by tenant management co-ops. Eventually, after many delays, five ownership co-ops emerged: a primary co-op (Sanford Co-operative Dwellings) and a secondary agency (Student Co-operative Dwellings) to meet the needs of students, and three neighbourhood-based co-ops (Holloway Tenant Co-op in London and Granby and Canning St. co-ops in Liverpool) to help save neighbourhoods from clearance.

They had legal structures to hand, and some dedicated promoters: Harold Campbell and Reg Freeson again, reinforced by campaigning housing agencies such as Shelter. Yet they lacked a supportive legal and financial framework. It took five years of campaigning before student co-operatives were made eligible for housing association funding (Hands, 1975), and a similar time before Holloway Tenant Co-op could gain the legal status needed to buy houses in its own name (Power, 1977). There was an urgent need for enabling legislation to give mutual co-ops a legal status and access to funds available to support housing associations. As one promoter put it, "The machinery has been geared to promote a different animal, and if a housing co-operative managed to get into the machine, it was usually either rejected or mangled" (Hands, 1975, p.113). Short-life co-ops had no legal constraints, as they could enter into a simple license agreement with a landlord, but they had no method of raising finance other than through rents and their own 'sweat equity' (for a good case study see Ospina, 1987). Tenant management co-ops, which had been supported by both the Co-operative and the Liberal parties during the early '70s, could not be formed because local authorities would lose government subsidy as soon as they allowed agents to take over estates.

The great breakthrough for all forms of co-op was the appointment of Reg Freeson (by now a Labour MP) as Minister of Housing in 1974 by the new Labour government. He turned immediately to Harold Campbell to set up a working party, which reported just in time for key amendments to be made to

the 1975 Housing Rents and Subsidies Act (Department of the Environment, 1975). One amendment allowed ownership co-ops to become registered housing associations and thus gain access to generous grants and loans designed to boost the voluntary housing sector under a Housing Act passed the previous year. A Housing Association Grant was given at up to 90% of a scheme's cost, depending on how much of a loan the rents could support; rents were fixed at an affordable level by a rent officer, and so co-ops became (for the first time in Britain) accessible to people on very low incomes. Later, short-life co-ops would also benefit, as they became eligible for a 'mini-housing association grant' to make short-life property habitable. Another amendment allowed tenant management co-ops to take over estates without loss of subsidy.

This legislation and financial framework enabled all three types of co-ops to grow rapidly during the late '70s and throughout the '80s. Their flowering has, however, been a fragile one, and they have been vulnerable to changes in government policies which have been designed with other purposes than tenant control in mind. For instance, common ownership co-ops reached a peak of development in the early '80s, when they were taking 6% of the Housing Corporation's programme for housing associations, but restrictions in funding had by the late '80s cut the formation of new ownership co-ops back to about 20 per year. Then there was a fundamental change in the terms under which development could be done: grant aid was reduced and associations had to begin to borrow heavily in the private money markets. Only the largest, most commercial associations have benefitted, and co-op development, by 1990, slumped to under 2% of the programme. A vigorous campaign which had all-party support in Parliament resulted in a commitment to making co-ops 3-4% of the programme, but only if they enter into consortia with larger agencies that will do their development for them.

Short-life co-ops grew rapidly in the late '70s, as a result of pressures on local authorities to legalise squatting and find a use for empty property. But during the '80s a growth in homelessness led the local authorities to take back empty homes to house homeless families, and more recently pressures on their budgets have led them to want to sell as many of their empty homes as they can; Lewisham Borough Council for instance is to sell 280 homes previously occupied on license by short-life co-ops.

The trajectory of tenant management co-ops has, in contrast, been quite different. At first, they grew quite slowly, partly because of ignorance of their potential and partly because local authorities were often resistant to the idea of tenant take-overs. By the mid-1980s there were still only about 50 of them, mainly in Glasgow and the London Borough of Islington, where the local authorities had seriously promoted them. Then in 1988 the Government introduced legislation which gave council tenants the right to buy their estates; sud-

denly tenant management seemed to the housing managers and local politicians to be a better option than losing their housing stock completely. The 'Tenants Choice' legislation turned out to be a disappointment, since only three estates in England, one in Scotland and one in Wales have taken up the idea. But it proved to be a wonderful incentive to the development of management co-ops and estate management boards.

Unfortunately, this new emphasis on the co-operatisation of existing social rented housing meant that the needs of the common ownership sector for new development began to be overlooked. Nowhere was this more apparent than in a committee of inquiry which the Government commissioned originally to look into the complaints of the sector. When it reported in 1989, the committee's report came out with detailed recommendations for the promotion of greater tenant participation and control in existing estates; this is where they saw the co-operative sector's future growth (DoE, 1989b). The main result was a new system of grants for the promotion of tenant participation and control in housing associations and council housing.

The Government's next initiative ensured that there were plenty of applicants for such grants. From 1996, local authorities are to be subject to compulsory competitive tendering of their housing stocks; housing managers will have to compete to manage their housing with housing associations and private companies. At the same time, tenants will be given the 'right to manage' their estates. Because 'tenant management organisations' are exempt from competitive tendering, housing managers have seen it as in their interest to promote them; one London local authority, Kensington and Chelsea, is currently attempting to turn its entire housing stock over to a borough-wide tenant management organisation.

This brings us to consideration of the climate of opinion within which the movement has had to work. Like co-partnership, it has had its royal advocates, with Prince Charles visiting co-ops in Liverpool and even writing a foreword to the history of one of them (McDonald, 1986). New build co-ops have been linked with good design and, espoused by the community architecture movement, have won major design awards. All the major parties have advocated them, except for the Trotskyite 'Militant Tendency' which gained control of Liverpool in 1983 and took six co-ops which had not yet begun development into municipal ownership. The Labour Party has been anxious to disown such authoritarian socialism, and yet many Labour-led local authorities have also until recently been resistant to the idea of tenant control. It has only been in response to Government measures aimed at breaking up the ownership of the council housing stock, and privatising its management, that they have embraced the idea, and then because they have no alternative.

Conservative governments have consistently applauded the idea of tenant participation and control, but out of a value system which sees tenants as indi-

vidual customers rather than collective owners. The Government's main priorities have been to privatise council housing and to make the housing association movement more business-like; individual policies have sometimes coincided with co-operative aims, sometimes diverged from them, but have often been quite arbitrary in their results. For instance, government ministers always resisted the idea that tenants should have the right to form a co-op. In 1986, council and housing association tenants were given the right only to demand a 'reasoned reply' from landlords who refused to let them set up a management co-op. However, in 1988, the Conservative government passed a Housing Act which gave landlords the right forcibly to buy out council estates, provided the tenants do not object. After much lobbying by tenant groups, the Housing Corporation has turned it into a right for tenants to take over estates themselves through co-ops or community housing associations. So as a by-product of a failed attempt to privatise council housing, tenants now have the right to form common ownership co-ops and to buy their estates. In 1993, tenants were finally given the 'right to manage' through management co-ops or estate management boards, but again this was as a by-product of a wider policy, this time to introduce competitive tendering of housing management.

### DEVELOPMENT OF THE MOVEMENT

The main method of development of primary co-ops has been through dedicated secondary co-ops. These were mostly set up during the late '70s and, though they were eligible for development allowances in the same way as housing associations, and also for special grants for cooperative education and training, they were always financially vulnerable. They never managed to cover the whole of Britain. The problem was that without a secondary, new co-ops could not easily be developed, yet without a network of primary co-ops secondaries could not be made financially viable; some government grants helped new ones to establish, but the effect was still patchy.

The main effect of the 1988 reform of housing association development finance was to steer development funding towards the largest housing associations which, with an asset base and financial reserves to draw on, could raise private finance. Despite assurances that small associations and co-ops would be protected, nearly all of the 16 secondary co-ops soon got into trouble, and had either to merge with a larger housing association or themselves to become community-based housing associations. The aim was through having their own rented housing stock to guarantee a regular income, and through acquiring an asset base to be able to raise private sector loans. They survived, but at the expense of their distinctively cooperative constitutions. Ironically, one new source of income emerged as a by-product of the dramatic growth in size of the largest housing associations, and of a rash of mergers designed to make them

even more competitive; the Housing Corporation began for the first time to sponsor tenant participation and self-management in housing associations.

Another effect of the new funding regime has been that rents on new developments have to cover much more of the cost, and rents have risen to above affordable levels for low-income people. Co-ops have sometimes decided not to continue their developments because the resulting rents would be too high for their members to bear. Though there has been talk of setting up a cooperative finance agency to raise loans, it looks increasingly likely that in the future, large housing associations will be doing development for small ones, including co-ops. In order to keep down costs and guarantee affordable rents, they are already using design and building contracts with large builders. All this raises serious questions for co-operators. Two lessons which have been learned the hard way since the early '70s are that co-op members must be involved in the design of their homes, and that the setting up of 'shell' co-ops before the members are found can lead to low levels of participation in the long run. Yet the new development system is providing little choice.

In such a turbulent policy environment the movement has needed clear and firm leadership, yet attempts at linking up into a national federation have proved difficult, partly because of the uneven geographical development of co-ops, partly because the different types of co-ops have had to work within different constraints and relate to different funding agencies. It was not until 1981 that a National Federation of Housing Co-ops was formed, after at least two previous attempts to unite the movement had failed. Until 1986 it relied entirely on voluntary help, but then government grants helped it to establish a firm basis; at its peak it had six full-time staff members. Yet it was over-reliant on government grants, and had a weak membership base which meant that its influence in defending and promoting co-operative housing was patchy. In 1991, after delays, indecision and some grant cuts by funding agencies, the Federation suddenly went into voluntary liquidation, leaving the Movement without a voice at probably the most critical time in its history.

### LONG-TERM OPERATION OF THE SOCIETIES

What about the internal life of the co-ops? In general, member participation in this latest phase of co-op development has been much higher than in the previous two phases, because attention has been paid to education and training of members, development has mainly been done by agencies committed to co-operative principles, and prospective members have been involved early on in setting up their co-ops. This is in spite of the fact that, because of funding agencies' insistence on housing those in greatest need, members have been drawn primarily from lower socio-economic groups whose previous experience of participation in voluntary associations is very limited.

Though there are no figures for national participation levels, a study of six cases shows that even in the least active co-ops it has been enough to guarantee accountability (Birchall, 1988b). However, participation remains a preoccupation of the movement; a study of 13 tenant management co-ops found recently that it was difficult in at least half of them to get enough active members, and elections were rarely contested (Power, 1987). In a study of 16 co-ops, 10 reported satisfactory or good levels of participation among the general membership, and very high levels among committee members, but there was also a continuing anxiety that members 'had not sufficiently grasped what it means to be a member of a co-operative' (Department of the Environment, 1989a, p.23). Common ownership and short-life co-ops have a better record than do management co-ops, particularly when the latter are set up on existing estates where tenants may for a time remain sceptical of the value of the co-op.

A study of those co-ops which have ceased to exist shows that ten could not acquire property, six were taken over by another co-op, five had financial problems, but only five folded through lack of interest, and this was mainly due to the inability to buy property (DoE, 1989a, pp. 13-14). It seems that very few are in danger of closing down through lack of participation. What of the danger of becoming ruled by a small clique who are unrepresentative? In a recent study, 74% of members asked said their views were sought before important decisions were made, and only 5% said they were not informed. In fact, most co-ops seem to make strenuous efforts to inform their members: 57% by newsletter, 34% by full minutes of meetings, 24% by word of mouth (DoE, 1989a).

Small co-ops tend to be self-managing, but larger ones employ workers (three-quarters of those with over 100 dwellings employ at least one worker, and 16% have four). Several studies have shown a consistently high standard of management. In Islington, the tenant management co-ops out-performed the local authority on repairs, letting of empty property, rent arrears and costs (Power, 1987). While repairs were the most difficult aspect to get right, members recorded a very high level of satisfaction.

More general studies have confirmed these advantages; a study of 126 co-ops found that 78% were satisfied with maintenance and 80% with the way the co-op was run (Underwood et al, 1986), while another found 81% satisfied with repairs and 77% with the upkeep of communal areas (DoE, 1989a).

Yet from the viewpoint of the Housing Corporation which monitors co-ops and looks at different measures of performance, management has been a problem. In 1983-4 for instance, over 60% of co-ops monitored were regarded as unsatisfactory, and during the 1980s nine co-ops were forcibly closed down, to be taken over by housing associations. The main weaknesses have been financial control, lack of clear systems for making decisions and taking action, and inadequate reports and minutes (Housing Corporation, 1986). The key variable

here seems to be the effectiveness of secondaries in providing on-going support and training, and some areas of the country have had much better monitoring results. The Corporation has begun to make it more difficult for new co-ops to become registered, insisting that if they do not already have a track record they become management co-ops for three years before achieving full ownership. The effects of this can be seen in the 1983-4 allocation of development grants in London: out of a total of £18m, nearly half was allocated to housing associations for management by co-ops. In future, members of new co-ops will be offered a choice of owning freeholds, long leases or simply managing their property, but there will be pressure for housing associations to retain freeholds in order to keep the asset base intact.

Recently, there has been greater emphasis on ethnic monitoring in co-ops, and a concern that they should be seen to use their powers to allocate a scarce resource fairly. Guidance has come from the National Federation, which is aimed to counteract criticism from municipal socialists that only elected councillors and professional housing managers can be trusted to hold waiting lists and allocate fairly (NFHC, undated). Allegations of racism and elitism are common, yet there is a continued lack of substance to the charges and, in the light of persistent findings of racism in council allocations, they seem quite hypocritical (see Ginsburg, 1989). Co-ops continue to form from ethnic and other minority groups: Bangladeshi, Chinese, Afro-Caribbean, but also co-ops for the elderly, for single parent families and the disabled.

Co-ops vary in the extent to which they provide a social life. They certainly do not provide anything like the village life which the co-partnership garden villages aimed at, but studies show that they do promote a sense of community: in one, 84% expressed satisfaction with the neighbourliness of the co-op (Underwood et al, 1986); in another (which included some co-ownerships) 74%, and 'developing a sense of community' was cited as the second most important benefit after 'repair and upkeep' (DoE, 1989a).

Education and training is provided for new co-ops, but in the latter study two-thirds of case study co-ops said that too little time had been devoted to training. There is no money for on-going training and, in the absence of a powerful national federation and of dedicated secondary co-ops, there is a widespread fear among activists in common ownership co-ops that the quality of co-operative knowledge and commitment will, over time, decline. On the other hand, in the tenant management sector, so much training is needed by groups hoping to take over council estates that a new national level Institute of Housing Certificate in Tenant Participation has been set up to 'train the trainers' who are needed.



## CONCLUSION

The future of those co-ops now in existence seems quite secure. It is unlikely that there will be the kind of deformation which the first two phases suffered from, because members are mainly on low incomes, they do not have any way of sharing in the equity, and there remains a high level of commitment to the idea of collective dweller control. Mutual co-ops are exempt from the 'right to buy' given to council tenants and tenants of non-charitable housing associations, though in some successful management co-ops tenants are exercising their right to buy; it is, perversely, one of the signs of the success of the co-ops that people are now willing to make an individual investment in their homes on these estates. The main problem is not, then, the one faced by earlier movements, of deformation into owner occupation. There is some evidence of growing demoralisation in common ownership co-ops, faced with rent rises, unsympathetic monitoring by a Housing Corporation more used to large housing associations, and a political environment which seems to be signaling support for co-ops while at the same time making it difficult for them to do any new developments. Management co-ops, on the other hand, are on the crest of a wave, but one which has been kept artificially high by government policies which owe more to their hostility to local authority housing than to their interest in tenant empowerment.

The Movement is internally divided between the common ownership sector, which is facing huge challenges for future development, the short-life sector, which is contracting, and the tenant management sector, which is enjoying a boom period of growth. It is poorly integrated with the wider co-operative movement (though increasingly worker co-ops and credit unions have been developed from housing co-ops and vice versa, especially on deprived housing estates taken over by their tenants in management co-ops). All this makes it politically weak. Yet it still attracts a lot of political support not only from the Co-operative Party but from all sides; an all-party Parliamentary group of 50 MPs has been formed, and government ministers continue to express commitment. The main problem remains the formation of a unified national voice. After intensive efforts by at least seven steering groups formed from different parts of a disparate movement, a new Confederation of Housing Co-ops has emerged, based not on primary co-ops but on local federations. It will be a much more modest affair than the previous national federation but, provided primary co-ops support the local federations, should be more firmly rooted.

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## NOTES

- <sup>1</sup> The hidden history of co-partnership housing will, hopefully, be the subject of the author's next book.
- <sup>2</sup> This leaves a shortfall of five cottages which must have been demolished at some time later.
- <sup>3</sup> Henry Vivian was a carpenter/joiner by trade, who worked his way up through trade union work to becoming MP for Birkenhead and the leading apologist for co-partnership of both the labour and housing varieties. Women figure much less in the history of the movement; Sybella Gurney, secretary of the national federation, was a woman of 'independent means.'
- <sup>4</sup> A research project is planned which will write up the history, democratic working, management, social life and so on, of the six remaining co-partnerships, as well as the first common ownership co-op founded at Dronfield in 1946. It is hoped that this will give important insights into the long-term effects of continuous collective dweller control of an estate.
- <sup>5</sup> The subsidy was also available to co-partnerships and in South Wales, for reasons yet to be explained, they continued to flourish right into the 1930s.
- <sup>6</sup> In Wales, tenant control has been hard to organise because of resistance from very traditional local authority politicians committed to an authoritarian public housing sector. By 1993 only one management co-op and one ownership co-op were being developed in Wales.

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## THE INTERRELATED HISTORY OF COOPERATIVES AND PUBLIC HOUSING FROM THE THIRTIES TO THE FIFTIES

Jacqueline Leavitt

The interrelated history of low-income cooperatives and public housing in the United States is little known. This chapter traces events from the 1930s to the 1950s when the federal government had an opportunity to support cooperatives for the working class instead of strengthening homeownership. This background provides a clearer understanding about the past but also lends perspective to current interest in low-income cooperatives.

Catastrophic economic conditions provided the catalyst for national promotion of cooperatives in the thirties. Earlier, as far back as the latter part of the nineteenth century, immigrants replicated European examples of cooperatives for working people. These co-ops, unlike those that followed, were financed privately by participants, union-sponsored, or in the case of New York City, benefited from enabling legislation for land acquisition and tax abatements. Afterwards, in the 1940s and 1950s, the cooperative tenure form lost favor. Between the sixties and the eighties, a cycle of minimal national subsidies for short-lived low-income cooperative programs began. Limited equity cooperatives, usually locally subsidized with some indirect federal moneys, emerged in Washington, D.C., New York, and Los Angeles in the seventies. In the eighties and early nineties, history mimicked some ideas of the past as selected public housing developments converted to low-income cooperatives.

Some people argue that development of cooperative forms of tenure is inherently antithetical to the American ideology of private property. This article suggests that the failure of cooperatives to attract widespread support in the forties and fifties was shaped by more complicated events. In the growth economy after World War II, working people began to earn more and were able to afford single-family houses. A combination of direct and indirect federal subsidies facilitated this. Veterans Administration loans became available, and highways, built for defense-related reasons, provided developers with easy access to cheaper land. Merchant builders became sophisticated hawkers of single-family houses for nuclear families. Changes in the three generation household—grandparents, parents, children—led to greater demand for independent

living arrangements. Single women left home to share an apartment and work until they got married, at which time they expected to move into single-family houses of their own. The grandparents, primarily women whose husbands had died, wanted to maintain their own homes. Class distinctions that were somewhat dulled by the Depression and World War II sharpened between the poor, working class, and middle class. The move of African Americans from the agricultural South to more industrial parts of the country, coupled with federal regulations regarding income-limits, resulted in segregated public housing. Being able to own a detached single-family house, rather than rent in housing developments with shared facilities, became the major symbol by which people measured their upward mobility.

### AN OVERVIEW: FROM 1869 TO 1930

The history of cooperative programs of the 1930s is rooted in earlier periods in Europe. Workers' cooperatives in Europe, pre- and post-World War I, became widespread. Immigrants who brought the experience of the cooperative movement, rather than government intervention, helped spread this form in the United States (Plunz 1990, 113; Rosenmann 1945). Co-op stores appeared in the nineteenth century, and included bakeries, restaurants, cafeterias, credit unions, and boarding and lodging houses (Dolkart 1989, 31), all of which helped consumers offset the high prices of goods that were unattainable on their meager incomes.

Louis H. Pink, a New York City businessman involved in housing and on the board of Amalgamated Houses, wrote at the end of the 1920s, "In the United States the [cooperative housing] page is almost blank" (Pink 1928, 159). He attributed this lack to being in a "too fortunate" country with "great natural resources," and wrote, "We are too individualistic, too hasty, too impatient of time—we want quick action and immediate results." Pink dismissed the sale of cooperatives in big cities as "simply a business speculation" where an operator sold 40 to 50 apartments to individual investors. Elsie Danenberg places small cooperative buildings in New York City as early as 1870, in Chicago by the early 1900s, and larger scale ones in San Francisco and Washington, D.C. by the 1920s (Danenberg in Zimmer 1977, 20).

Housing societies were concentrated in New York City, where one cooperative project dates to 1869 when the German Cabinetmakers Association of New York bought 91 acres in Astoria, Queens. A number of sources attribute the first cooperative to a Finnish group. Wallace Campbell, a past president of the Foundation for Cooperative Living,<sup>1</sup> writes that the first "true" cooperative apartment building was located in Brooklyn, New York, and was started after 1900. The Finnish Building Association operated without any government subsidy. Pink supports Campbell's contention:

They are the real thing — the whole job was done by Finnish workmen, many of them socialists. There was no outside help. They gathered together the family groups. They hired the lawyer to incorporate the society and search the title. They arranged for the financing. They made their own rules, and fought out their own battles, and decided which apartment a family should occupy and how much each was to pay (Pink 1928, 161-162).

Andrew S. Dolkart gives a later date for the Finnish cooperatives. He writes they were founded in 1916 when 16 families organized the first non-profit cooperative housing society to build and purchase buildings in Sunset Park, Brooklyn. The Finnish Home Building Association was called *Alku*, which means "beginning". Three Finns were involved in the design although the architect of record was a non-Finn, Maxwell A. Cantor. "By 1926, at least twenty-five Finnish cooperatives were located in about a seven block radius of Sunset Park" (Dolkart 1989, 33). Because most of the cooperatives had no mortgages, they were able to operate continuously through the Depression.<sup>2</sup> Dolkart ascribes the earliest successful cooperatives to Lithuanian and Bohemian groups who founded cooperatives in New England and the Midwest.

Edith Elmer Wood reported on Milwaukee, Wisconsin, where legislation passed between 1921 and 1924 permitting the City and County "to subscribe to the shares of cooperative housing companies" (Wood in Wheaton et al. 1966, 3). Pink dates the Milwaukee laws to an earlier year, 1919 (Pink 1928, 162). Although the City and County encouraged cooperatives, the Association of Commerce and other good government groups broke away and started a plan where tenants subscribed to common stock. The Milwaukee mayor supported the Garden Homes Company, which developed garden-style apartments as workers' cooperatives (Bailey 1988). One hundred and five houses were built at an average cost of \$5,000, including land and improvements (Pink 1928). Tenant-owners paid \$45 per month for a five-room and \$50 per month for a six-room house; about \$7 out of every \$50 went toward payment of the common stock. Every occupant saved \$1,500 on a house. But some tenant-owners misunderstood their role as cooperators in the project, and this led to changes in the original law in order to accommodate those who wanted to buy their houses outright. Garden Homes was forced to borrow money from a bank to finance the project, and subsequently terminated the original plan to build about 3,500 houses.

More information is available about New York City, where cooperatives reflected the beliefs of different religious and labor groups. Richard Plunz identifies various factions who "served as important catalysts within larger socialist political movements," with each related to "diverse currents in leftist Jewish politics" (Plunz 1990, 151-152). Some cooperators supported the Soviet revo-

lution and were adherents of the newspaper *Morgen Freiheit* (the Allerton Co-ops or "coops" as they were known affectionately, and which became the Workers Cooperative Colony); others rallied around the *Jewish Daily Forward* (Amalgamated Dwellings); a third were labor Zionists (Farband or the Jewish National Workers Cooperative Homes); and another group had ties to secular Jewish culture (Heimgesellschaft or Shalom Aleichem Houses).<sup>3</sup>

Not all the cooperatives were able to follow their original plans. When the Labor Home Building Corporation, a consortium of five garment unions, failed to get financing, John D. Rockefeller stepped forward. Rockefeller received a 6% return and renamed the buildings the Thomas Garden Apartments.<sup>4</sup> Tenants were to gradually gain control of the buildings. However, the installment plan required an average monthly payment of about \$16 per room, which was too high for wage-earners (although policemen, firemen, clerks, and salesmen were among the earliest tenants). By 1934, of 166 apartments sold, only 24 were still held as cooperatives. During this period, Rockefeller began development of the Paul Laurence Dunbar apartments in Harlem, also as a cooperative. Down payments, "as little as \$50 a room" and a payment period "extended over thirty years," (Pink 1928, 154) led to a more flexible plan than at the Thomas Garden Apartments.

United Workers, affiliated with the Communist Party, involved needle workers who began their co-op ventures by leasing apartments on a floor in a Bronx building for social activities which included a restaurant and library. In 1922, the United Workers successfully started Camp Nitgedaaget (Camp Don't Worry), a cooperative on the Hudson River, near Beacon, New York. In 1925, they purchased land in the northeast Bronx and built two groups of model tenements for some 700 families.<sup>5</sup> Tenant-owners invested \$300 to \$500 for each room;<sup>6</sup> depending on the costs of the building under construction at the time; they received no interest on their money. Only members of trades were allowed to join. The Consumers' Finance Corporation, a subsidiary of the United Workers' Cooperative Association, sold 6% stock, "investing the proceeds in the second mortgage. The first mortgage [is] placed by a title company; the balance of the equity money comes from the deposits of the tenant-owners" (Pink 1928, 165). By 1931, mortgage payments could not be met because so many cooperators lost their jobs. A mortgage company assumed ownership but not management, and the buildings became known as the Workers Cooperative Colony. A private landlord bought the buildings in 1943 and a tenants association was begun although its history is not clear in the sources consulted.

In 1926, in New York State, Governor Al Smith promoted passage of the Limited Dividend Housing Companies Law.<sup>7</sup> The legislation only included one line about cooperatives but this was sufficient inducement. Housing companies were granted condemnation rights and tax abatements for a period of 50 years in return



for limiting dividends to 6% and selecting low income tenants. In 1928, the Jewish National Workers Alliance of America organized the Farband Housing Corporation and drew on the subsidies permitted in the limited dividend law.

The Amalgamated Clothing Workers Union also took advantage of the legislation to start cooperatives. Abraham E. Kazan, whose name came to be synonymous with cooperatives, encouraged this direction. Kazan's philosophical commitment to cooperatives had grown despite the ups-and-downs he faced over the years in organizing a cooperative hat store, union welfare fund, and a distribution system for commodities such as sugar, matzo, ice, or coal.<sup>8</sup> When Kazan became a member of the clothing workers union in 1918, it was only a matter of time before his strong interest in cooperatives was channeled into housing. The New York local of the Clothing Cutters Union of Amalgamated was the vehicle through which Kazan began a totally volunteer credit union, and its headquarters became a gathering place for activists. In 1923, they formed a separate entity with the initial idea to build individual houses. When the activists realized this was too expensive and members would find it difficult to maintain individual homes, the Corporation looked for sites in Brooklyn where they could build two-family houses. This idea was also thrown out because, as Kazan recalled, one man would be the landlord for another and abuses would result. Dolkart writes that the idea for cooperative housing was raised at the union's annual convention in 1924 (1989, 33).

Sidney Hillman was head of the Amalgamated Clothing Workers Union. With the passage of the 1926 law, and under Kazan's influence, Hillman moved to reorganize the member-initiated Corporation and formed the American Housing Corporation (A.H.C.). Its mandate was to take advantage of the limited dividend legislation and oversee low cost housing developments through cooperative ownership.<sup>9</sup> The *Jewish Daily Forward* and union banks lent their support. The Forward Association provided a \$150,000 credit fund for union members who wished to join the A.H.C. The newspaper also gave a \$125,000 short term loan. Hillman convinced Metropolitan Life Insurance to underwrite a \$1,200,000 mortgage at 5 1/2% interest. Metropolitan Life and the city and state waived all recording fees, revenue stamps, and other fringe costs. The initial price of \$200 per room was raised to \$500.

In 1927, the first six buildings, each five stories without elevators, were built in the Van Cortlandt Park-Mosholu Parkway area of the Bronx. This became the largest concentration of cooperatives for low-income workers in New York City. In 1929, a second set of buildings from six to seven stories high, with elevators, was built.<sup>10</sup> Subsequent expansion took place in 1931, 1941 when an elderly group of cooperators demanded smaller units, and in 1947, 1949, and 1950; other developments included the Mutual Housing Association, Inc., and the Park Reservoir Corporation. Altogether, about 1,700 units in 18 buildings were built.

In 1930, Amalgamated sponsored Amalgamated Dwellings, Inc., 236 units on the Lower East Side of Manhattan. No union money was used. In this case, slum clearance was the driving force. Herbert H. Lehman (then Lieutenant Governor of New York State) and Aaron Rabinowitz (the New York State Board of Housing's representative on the Amalgamated Housing Board), spearheaded this project on behalf of Governor Franklin D. Roosevelt. Kazan was asked to handle construction and disposition of apartments. Lehman and Rabinowitz supplied money for the land and construction, and set up a fund for tenants who could pay only half the \$500 equity. Amalgamated Dwellings, Inc. opened in April 1931. Roosevelt and Hillman hoped that other developers would replicate Amalgamated's project and stem housing deterioration on the Lower East Side but this did not occur.<sup>11</sup>

Amalgamated's Bronx site was different from the congested Lower East Side. Members who moved to the Bronx found an open and garden-like atmosphere, but the area lacked services. The residents established the A.H. Consumers Society, Inc. (first named the Amalgamated Clothing Workers or A.C.W. Service Corporation) with its own board of directors. Cooperative services extended to milk, ice, and egg deliveries and laundry pick-ups were added later. A super-market, nursery, summer day camp, electricity plant, and garage were made available. A cooperative tea room was set up in the basement of one of the buildings. School children were able to use a cooperative bus service.

These New York City<sup>12</sup> examples were well known to professionals in the Regional Planning Association of America (RPAA). Among the RPAA participants were Lewis Mumford, Henry Wright, Catherine Bauer, and Rexford Tugwell. All were influential in national housing policy, and except for Mumford, all of them played a role as consultants or staff in the impending New Deal housing programs. The RPAA studied Amalgamated's efforts and also supported the development of the privately based City Housing Corporation (CHC), which was active in the metropolitan New York area. RPAA's involvement in City Housing Corporation meant a chance for a developer "to achieve a rare combination of 'theory and practice,' involving land assembly, construction techniques, and tenure variations" (Schaffer 1982, 121).

City Housing's first development began in 1924 and, in 1928, they completed 1,200 units in Sunnyside, Queens. This marked CHC's post-war response—housing for "all citizens—except the wealthiest" (Schaffer 1982, 112). Sunnyside Gardens included cooperative apartments which:

represented the lowest cost housing built [in Sunnyside], and indeed, if they had been tax exempt, would have been the lowest cost housing constructed in New York City during the mid 1920's. A four-room co-op apartment was priced at \$4,800. It required a \$480 down payment and a \$50 monthly fee which included the fixed

charges of interest, taxes, water, and insurance, as well as operating costs such as coal, electricity, general repairs, and the janitors' wages. For the down payment the resident received ninety-six shares of co-op stock at \$5 a share, and as the mortgage was paid off each part owner was entitled to additional stock, all of which paid a maximum annual dividend of 4 percent (Schaffer 1982, 129).

The co-op apartments did not sell as well as the other units, although over 50% were purchased after six months. The less than overwhelming response among the general public led the CHC to rent the remaining units, and to alter their plan "to pay rents on all unsold apartment units to the non-profit company which owned them, until they were purchased" (Schaffer). The hope had been that tenant renters would be encouraged to become owners, but even with this carrot, sales of non-co-op homes and apartments lagged behind. Other signs of tenant cooperation existed. An active tenants association and a property owners' association existed for each bloc, and a house on the site was converted into a community center (Stein 1957, 28, 34). A single Sunnyside Community Association formed—including second floor tenants in the two story houses, house owners, cooperators in the apartment buildings and renters for whom the corporation was landlord. Despite the continuation of the property owners' associations:

The experience led the executives at the CHC to conclude that the 'co-operatives' best chances for success lie among a homogenous fraternal or racial group' such as existed in the Bronx apartments built by the Amalgamated Clothes Workers' Union for its members and the Paul Laurence Dunbar Apartments, a Rockefeller project built for blacks in Harlem. With a diverse population, Sunnyside could not attain the solidarity that appeared to be a necessary ingredient for successful co-operatives in the 1920's (Schaffer 1982, 129-130).

Drawing on their Sunnyside experience, City Housing sold only individual houses in its next project, Radburn, a planned suburb in Fairlawn, New Jersey, in 1929.

In summary, many of the early cooperatives became financially bankrupt in the Depression. The labor cooperatives were forced to choose between their principles of providing worker housing and the economics of housing management. Shalom Aleichem Houses was sold to a private landlord by 1931. Other coops survived the thirties only to be sold to private landlords after World War II. Even the most successful, like Amalgamated, faced questions about tenants who could no longer afford to pay their fixed monthly rentals.

Amalgamated survived the Depression through shrewd management; they closed rooms at the Lower East Side site in order to reduce monthly rents; at the Bronx site, they rented units at \$5 to \$10 higher per month than cooperators paid (based on a \$100 a month investment which was refunded if the tenant

withdrew), for a two and a half year lease (which could be extended once for another two and a half years). The excess monthly charge was applied towards purchase of the cooperative. At one point, a loan fund was started. All cooperators contributed \$1 a month with no interest received and with the option to borrow up to \$400 without interest.

At the Lower East Side's Amalgamated Dwellings, Inc., Lehman and Rabinowitz extended loans up to the par value of the stock, thus allowing repurchase of units when members had to withdraw. In the Bronx, the Consumers Society repurchased a member's stock. During the Depression, only two members (some accounts report none) were evicted from Amalgamated's units and all loans were repaid. Despite examples of cooperatives that failed because of underfinancing, as the thirties began, housing reformers who were strenuously promoting a national policy for public housing urged that cooperative institutions be eligible for these subsidies.<sup>13</sup>

### CLASS ISSUES AND HOUSING IN THE THIRTIES

Between the two world wars, housing reformers struggled to include cooperatives as a legitimate part of housing reform. Catherine Bauer and other public housing advocates held a broad perspective of community development, similar to what they believed were the principles and practices of European housing experiments.<sup>14</sup> Bauer was never satisfied with building a constituency around only housing and used the word as shorthand for comprehensive community development. She fought to include services that people needed but could not afford in the private market, from health clinics to recreation to meeting and reading rooms, from credit unions to libraries, welfare clubs, job exchange and gardening programs. Good design was an integral part of such a program.<sup>15</sup>

The reformers' earliest intent was not to segregate public housing physically or economically. Resident-initiated activities were promoted, as well as resident councils and tenant associations which would play a role in neighborhood life. Bauer also had in mind that at some point funds would be made available to middle income families, thus ensuring a continuum of housing for all segments of the American public. In line with her comprehensive approach, she talked about alternative approaches to the administration of public housing. She thought public housing societies would "provide a very fine opening for organizations of labor and consumer groups directly interested in securing housing projects for their own use" (Cole 1975, 520).

Bauer crisscrossed the country as a labor organizer, lining up support for a public housing bill. But the broad-based definition of housing, integrated with ideas about design, was lost as the ideas filtered down to labor's rank and file. The real estate community and politicians were more successful in their messages about homeownership. Politicians were not besieged by countermea-

tures to homeownership. The reformers even failed to convince Senator Robert Wagner (D., New York), the key sponsor for the housing legislation, about the worth of cooperatives. Kristin Bailey summarizes the predominant thinking:

Before World War II, public housing was seen as a temporary refuge for the wage-earning family that had hit upon bad times. Why should the federal government assist the residents gaining equity in their homes when it was expected that once they were back on their feet financially, they would leave public housing and seek housing on the private housing market (p. 30).

Public housing was rarely seen as comprehensive neighborhood or community development, particularly after its earliest reformist days in the mid- and late thirties. In hindsight, Bauer blamed the failure on “the separation of the housing program from the overall housing picture” and the lack of a democratic process that involved grassroots people in decision making (Cole 1975, 661). But the failure probably lay in deeper issues.

Antagonism toward public housing and a lack of fervor for cooperatives derive from attitudes about the concept of the public realm and values in regard to forming a community. People in the United States have been influenced by a unique moral system and discipline: anyone, so the argument goes, with hard work and sweat, can realize the material rewards which are part of the wealth of this country. A particular type of American individualism is the result. As experienced a cooperator as Abraham E. Kazan reflected that people in any one cooperative were quite happy with their apartments but not interested in getting involved in order that others might attain better housing.<sup>16</sup>

With variations, from the initial settlers onwards, the American character was affected by a mixture of individual achievement tempered by a belief that class distinctions do not exist (DeMott 1990). American workers were considered job and not class conscious (Marwick 1990). After the industrial revolution, no apparent real limits prevented anyone from qualifying for the middle class of professional workers. Those that didn't earn the income to belong retained the expectation and a belief that they could become part of the middle class. Loren Baritz writes that during the Depression, almost all Americans responded that they belonged to the “middle class” when asked to which social class they belonged. When asked which income class, less, but more than two-thirds chose the middle. Baritz offers this explanation for the drop among those who selected a lower income class:

Where one belonged on the American pyramid depended on money, of course, a reasonably objective marker. But it also reflected attitudes and values. If poverty was perceived to be temporary, if one's dreams reflected expectations of economic mobility, and if the values of the middle class, however vaguely understood, were

embraced, Americans thought of themselves as poor but middle-class (Baritz 1989).

The litmus test for belonging to the middle class resided in purchasing a house, but owning a house didn't mean identifying with middle-class culture. As early as 1907, immigrants bought houses as quickly as native-born Americans, and "by the end of the twenties, first-generation immigrant families who were home owners rose to 40 percent" (Baritz 1989, 72).

For ethnic as well as native-born Americans, home ownership was the fulfillment of a dream, not only a place but a life to call your own. Relatively poor workers universally thought of their own house not only as a cultural refuge, which it was, but a sanctuary for old age, a potential source of income in hard times, and a source of pride. Many of the propertied ethnics remained workers throughout their lives, were not motivated by any belief in their own eventual climb into the middle class, and accepted the reality that where they were was where they and their children were going to be. They aspired to security, not a steadily increasing income. They were not middle-class in their work or hopes (Baritz, 1989, 75-75).

Baritz argues that the working class was committed to their neighborhoods and homes. This, he says, tied them to the middle-class way of life; otherwise they would have seemed to be likely candidates for radical resistance. The working class may also have sought the security of sharing the dominant society's way of thinking (Duncan 1982, 60-97). President Herbert Hoover's 1931 Presidential Conference on Home Building and Home Ownership had signified overwhelming government support of the private sector and individual home ownership. The middle class was protected when rising foreclosures threatened their life-style. Mortgages were refinanced at lower interest rates and repayment periods were extended. Baritz comments that "the New Deal's responsiveness to the mortgage crisis deflected widespread middle-class anger" (Baritz 1989, 129). In the long run, the unions could not offer an effective enough alternative to home ownership or a desirable enough housing choice that distanced its members from the working class.

Arthur Marwick believes that fear about "rigorous immigration legislation" prevented the vast majority of people from joining unions (Marwick 1990, 23). The trade union movement failed to expand during the twenties. Anti-union sentiment followed the Bolshevik Revolution; company unions and profit sharing reduced organized labor's membership, dropping from 5 million in 1920 to 3.3 million a decade later. Professional or white collar workers tended to avoid unionizing. Although the American Newspaper Guild organized in 1933, people in higher income brackets refused to join. The American Federation of Teachers only reached about 33,000 members; others did not want to reduce "the

teaching profession to the laboring level" (Marwick 1990, 103).

Not everyone agrees about the lack of working class consciousness. After interviewing workers, E. Wight Bakke believed that a genuine class was forming as a result of the New Deal policies. He argued that this would "persuade the workers to seek complete fulfillment within the working class rather than through striving after upward mobility or identification with the boss" (Marwick 1990, 46). Although radical activity occurred during this period, class consciousness did not blossom under President Roosevelt. Marwick contends that the underlying assumption throughout the New Deal period was that people at the bottom were no different from anyone else.

There was a hierarchy, but it was presented as a hierarchy of continuous gradations rather than of classes: these 'people like ourselves' ranged 'from the unskilled workers at the bottom of the scale up through the skilled mechanics, miners, machine operators, and minor 'bosses', to bookkeepers, stenographers, typists, accountants and junior executives' (Marwick 1990, 66).

The housing acts that passed were designed to appeal to all Americans.<sup>17</sup> The tumultuous times evoked the need to assure people that they were not alone in their troubles, and legislative and political rhetoric buried class differences.

### LOBBYING FOR A PUBLIC HOUSING BILL AND CO-OPS

From 1922 to 1934, the American Federation of Labor (AFL) was absent from the low cost housing fight. Their members had pioneered the low rent housing scattered around the country—the Amalgamated Clothing Workers Union in 1927 in New York City and the American Federation of Full-Fashioned Hosiery Workers in 1930 in Philadelphia<sup>18</sup>—but remained quiescent after that. Between 1933 and 1935, however, the labor movement received a boost in membership. The Wagner Act offered protections for collective bargaining procedures. Whether because of this or other ongoing activities, unions continued to increase their membership between 1935 and 1937. This coincided with labor's increased involvement in the fight for affordable housing. The Federation of Architects, Engineers, Chemists and Technicians, and other labor people became integral to writing the national housing bill. In 1935 Catherine Bauer and B. Charney Vladeck successfully persuaded the American Federation of Labor to pass a resolution setting forth the need for a public housing program (Cole 1975, 428-429).<sup>19</sup>

Senator Wagner introduced various versions of a bill in Congress between 1935 and 1937 to authorize public housing. In June of 1935, public hearings were held on one such bill which Wagner authored. Bauer registered four objections to this first version which included restricting housing "to municipal

authorities, thereby overlooking other forms of cooperative and nonprofit enterprises" (Cole 1975, 465). Bauer reasoned that opposition to establishing public housing authorities in any locality could be overcome by providing any non-profit group with the ability to obtain federal moneys directly (Cole 1975, 468). As variations of a public housing bill moved through Congressional hearings in 1935 and 1936, supporters were aware that certain parts of the legislation faced strenuous objections from real estate and development interests, bankers and material suppliers, and chambers of commerce. When alternatives to developers in the private sector, such as limited dividend societies, were eliminated, Bauer commented:

This not only cut out the potentially dangerous stuff...but it also eliminated bona fide cooperatives, which I think is too bad...It also makes it impossible to say this is really a comprehensive bill, and it leaves an opening for the F.H.A. [Federal Housing Administration] to ask for an extension of their activities (Cole 1975, 517).

Not yet dead was something known as a 'public housing society,' whose members are low-income families, which can be recognized to sponsor and lease a Federal project, with the consent of the local Authority where such exists'" (Cole 1975). Bauer was surprised that the union leaders, limited dividend organizations, and existing cooperatives, had gotten so far "with the independent idea" (Cole 1975).

Memoranda in 1936 show the lobbyists' continued attachment to the idea that local labor or cooperative groups could carry out a public-aided housing program (Cole 1975, 499). Despite forthcoming support, limited-dividend societies were eliminated again from the proposed legislation, now known as the Wagner-Ellenbogen bill, although the provision for public housing societies was retained (Cole 1975, 546). This bill was defeated in June 1936 and lobbying for the Wagner-Steagall legislation began almost immediately. Labor remained instrumental in the next stages, its housing committees turning out information pamphlets that were aimed at gaining support from union workers.<sup>20</sup>

The Wagner-Steagall bill, with President Roosevelt involved although not directly helpful,<sup>21</sup> was enacted in 1937. The "independent groups" were not in the final bill. Bauer expressed regret over "the elimination from the bill of any recognition of cooperative and other limited-dividend projects," but thought strong public demand could restore them. Cole writes that Bauer believed the cooperative movement had not pressured Senator Wagner and had therefore doomed the provision. Bauer remained a supporter of cooperatives. According to Cole, Bauer admitted that "America might never be a fertile ground for cooperative housing, but she believed that 'it could play such an important and efficient part in filling that no-man's-land between 'public' and 'speculative' that it would be worth some real study (Cole 1975, 641).



## PUBLIC 'WAR' HOUSING, CO-OPS, AND MUTUAL OWNERSHIP PLANS

The passage of the U.S. Housing Act in 1937 did not ensure permanent protection for housing for low-income workers. In the years afterwards, opponents of public housing fought until they almost succeeded in killing the program (Hartman et al. 1986, 335-361).

The reformers' support for cooperatives initially found a receptive climate because of the economic crisis and subsequently as a response to the severe housing shortage for defense workers. Although reformers' admiration of European housing experiments had been the basis for promoting cooperatives, the pragmatic need for housing more than 7,000,000 defense workers and their families is what saved both public and cooperative housing.

Lawrence Westbrook, who joined the Federal Emergency Relief Administration (FERA) in 1934, had a successful track record forming cooperatives (Arnold 1971, 236-237). Supported by Senator James Couzens (R., Michigan), Westbrook provided cooperative housing for automobile workers in Pontiac, Michigan, in a development called West Acres. Westbrook defined West Acres as a Mutual Ownership Plan (MOP):

a system of rental ownership under which the occupants of homes in a given community lease the premises which they occupy from a company owned by the occupants themselves (Bailey 1988, 36).

Other Mutual Ownership Plans were used to provide defense housing. In 1940, Westbrook and John M. Carmody of the Federal Works Administration (FWA) responded to the "Camden Plan" which was initiated by New Jersey shipyard workers.<sup>22</sup>

In June, 1940, the U.S. Housing Act was amended to empower the United States Housing Authority to house war-workers as well as the lowest income (Marwick 1990, 239-242). By October, 1940, the need for extensive low-cost housing for defense workers—public war housing—was so apparent that Congress passed the Lanham Act. Under its provisions, eight communities "were to be sold to the residents under the terms of the MOP" (Bailey 1988, 40). The disposition plan for all defense worker housing evoked the same suspicion about socialist schemes that had surrounded the public housing bill. Lanham (D., Texas) enlisted support for the act by assuring Congressional members that the housing would be sold to private investors at war's end. Representative John C. Schafer (D., Wisconsin) disagreed and introduced an amendment to transfer the housing to local public housing authorities. Schafer's amendment was defeated, but the Lanham Act was enacted without specificity as to disposition except for general language pertaining to the public interest.

At the same time, the private sector was actively lobbying in its own behalf. In March 1941, Title VI of the National Housing Act guaranteed mortgages on

defense housing through the FHA. Bauer pointed out that as a result, builders would be guaranteed a return on their investment. In late 1941, Lanham tried again to ensure that defense workers' housing would be sold at the highest price, returning revenue to the Treasury Department. In 1942, he was successful, despite objections by local housing authorities and other supporters of low-income housing. The reorganization of sixteen federal agencies in 1942 into the National Housing Agency (NHA) tempered the private sector. The NHA director, John B. Blandford, Jr., had authority to dispose of defense housing. Blandford, for reasons not fully understood (Bailey 1988), supported the sale of the eight communities under the MOP that Westbrook had pioneered. Blandford structured the sale in order that the eight communities were a demonstration project for disposition of all war housing.<sup>23</sup> Labor supported the MOP on grounds that its workers could not afford individual home ownership. The Mutual Ownership Plan would permit members to enjoy ownership without requiring a cash down payment, while gaining low monthly charges, equity, and mobility. Architects and housing reformers also supported the Mutual Ownership Plan.

Homelessness among veterans and the housing shortage after the war continued to protect the defense workers' housing from sale on the private market. In 1945, the Lanham Act was amended to include Title V; as a result, vacant units in war housing projects were provided to certain groups of returning servicemen and their families. The FPHA (Federal Public Housing Administration) "developed a disposition policy that ensured that those war housing projects not converted to low-income public housing would be sold first to veterans, then to the residents, and lastly to real estate speculators" (Bailey 1988, 63). In Congress, Representative Jesse P. Wolcott (R., Michigan) emerged to lead the opposition against the MOP and continued appropriations for public housing.

Then President Harry S. Truman, with the backing of three influential Republican senators, successfully reorganized the housing agencies again, this time into the Housing and Home Finance Agency (HHFA). This move meant greater control over ensuring the continuation of public housing. In a step that benefited cooperative formation through the MOP, although it was motivated by antagonism toward sales of war housing on credit, Wolcott introduced Section 610 to the National Housing Act. Section 610 extended Federal Housing Administration mortgage insurance to mutual home ownership associations, thus enabling "mortgage companies and lending institutions to become involved in the sale of war housing on a mutual basis" (Bailey 1988, 73). This permitted cooperatives which had experienced difficulties securing financing to obtain easier credit.

In 1949, passage of the Housing Act provided another lifeline to cooperatives; this proved to be short-lived.

## CONFLATING WORKING CLASS AND MIDDLE INCOME: CO-OPS ON THE WAY OUT

The 1949 Housing Act is widely considered the first omnibus housing act with a goal of providing a decent home and suitable living environment for every American family. Bailey writes that housing reformers who had advocated cooperatives for three decades thought that their time had come. They reasoned that the Housing Act would protect low-income people through public housing. Cooperatives would serve the growing group of families who were ineligible for public housing but couldn't afford housing on the private market. Nathaniel S. Keith defines this group as:

a substantial part of the blue-collar labor force as well as the lower-paid white-collar workers, in short the nonpoor...which could afford radios, televisions, washing machines, and automobiles but which could not afford new houses at prevailing prices (Keith 1973, 104).

This group was no longer called working class.<sup>24</sup>

President Truman and a number of other prominent Democrats believed that the nation would not fulfill its housing goal unless Congress created a special housing program for working-class families who they called 'middle income families.' The middle income housing program they advocated was one that built upon experience acquired by federal housing agencies since the close of World War I. It called for federal aid to housing cooperatives (Bailey 1988, 85).

Senators Glen H. Taylor (D., Idaho) and Russell B. Long (D., Louisiana) agreed that "cooperative housing was best for those Americans who were neither poor enough to live in public housing nor wealthy enough to purchase their own home," a number that fluctuated "with the ebb and flow of the nation's economy" (Bailey 1988). Labor groups, religious and social welfare organizations, veterans, and consumer groups supported cooperatives in the 1949 Housing Act. The American Legion testified, drawing attention to its member chapters throughout the country which had formed cooperatives on a nonprofit basis. The Veterans of Foreign Wars and the Jewish War Veterans also supported the measure. Drayton S. Bryant, a representative of the American Legion, argued that cooperatives would aim at those in the middle income bracket who would otherwise not be able to afford home ownership.

Despite the type of support that Catherine Bauer had yearned for in the earlier period, and which undoubtedly helped win approval of the low-income public housing aspects of the bill, lobbying for cooperatives was unsuccessful<sup>25</sup> White House support ebbed. In contrast, Raymond Foley, head of the HHFA, avidly pushed the private sector. Bauer wrote the requiem for the cooperative sections of the bill:

The Housing Act is very good so far as it goes. But it still leaves a large no man's land in the housing market: the families who are ineligible for subsidized public housing but who cannot afford the ordinary speculative home as currently produced (Bauer 1949, 19).

Bauer emphasized the need for access to "cheap over-all, long-term financing," from a seriously interested government agency, independent of the FHA. She again pointed to the need for experienced guidance as in Europe with its "strong central housing-cooperative organizations in collaboration with local public agencies." She spoke of local encouragement, even that the United States should copy the Swedish and Dutch examples of cities acquiring land and planning sites for cooperatives, an idea which she thought was feasible under the proposed Housing Act.

Other legislation to promote cooperatives repeatedly failed. In 1949, Representative Wright Patman (D., Texas) unsuccessfully introduced the American City and Farm Home Act to foster three different categories of cooperatives. Later in 1949, John Sparkman (D., Alabama) unsuccessfully introduced legislation into the Senate that would provide long-term, low-interest loans at around three percent to cooperatives. Sparkman's bill included some aids to speculative builders and veteran home purchasers as well; the House Committee kept these provisions but eliminated loans for cooperatives. In 1950, Senator Burnett R. Maybank (D., South Carolina) made a fact-finding tour of European cooperatives; he reported that cooperatives did not wipe out the private real estate market, and he proposed mixing public and private funds to set up a National Mortgage Corporation for Housing Cooperatives (Keehn 1949, 30).

The loss of federal support for cooperatives was substantial. Had all the sections on cooperatives in the 1949 Housing Act been passed, the separate Cooperative Housing Administration, equivalent to the FHA within the HHFA, would have granted direct federal loans to qualifying cooperative housing groups and nonprofit corporations, in some cases for an amortization period of 60 years. Rental projects would have been required to make units available at lower rents than privately financed rental housing in the locality. Individual houses built for cooperative ownership would have been limited to members of the cooperative. One section of the proposed amendment would have protected the long-term permanency of housing against "any speculative use of such cooperatives."

Only more technical assistance and more liberal FHA mortgage insurance terms were gained. The 213 program benefited non-consumer sponsored cooperatives rather than resident members of a cooperative.<sup>26</sup> The National Association of Housing Officials reported that the financing terms had stimulated increases in the number of cooperative units in 1951. Critics saw the initial 213 legislation as giving developers a privileged position and providing them with cheap financing.<sup>27</sup> Cooperative housing associations formed in the wake of the

legislation. The Federation of Section 213 Cooperatives was organized by tenant-stockholders. Two technical assistance organizations were formed, the United Housing Foundation (UHF) and The Foundation for Cooperative Housing (FCH). They replaced the union-sponsored cooperatives, although the United Housing Foundation (largely New York-based) was an affiliation of unions including: "clothing workers, lithographers, painters and paperhangers, restaurant employees, municipal, state and county employees, dressmakers, hospital employees, electrical workers, taxi drivers, gas-fitters, plumbers, teachers and millinery workers." In the 1960s, the Douglas Commission found high records of defaults and difficulties. Program abuses led to a Congressional investigation, and lawsuits against developers; the high foreclosure rate led to a major revamping of Section 213 in order to protect cooperators and required each cooperative to have its own accountant, lawyer, and architect. Developments under Section 213 would continue to serve higher income families than cooperatives formed later in 1961 through the 221(d)(3) below market interest rate program. By the end of the sixties, a new program replaced this. Regardless, at no time did member-initiated cooperatives receive major support.

### CONCLUSIONS

In the aftermath of events in the fifties, Kristin Bailey writes of the sense of defeat felt by advocates of a nationally supported cooperative program for wage-earning families. Preference for the sale of war housing to residents who formed Mutual Ownership Plan associations became a locally based issue. Fewer defense housing units were transferred to local public housing authorities. "After 1955, no mention of conveyance is made in the PHA's summaries of its Lanham housing liquidation activity; disposal meant private sale" (Bailey 1988, 101).

Catherine Bauer had repeatedly defended the provision for demonstration grants during the years she lobbied for public housing. Some time after, with experience gained from having worked in the public housing bureaucracy, she criticized its institutional rigidity. But she still staunchly argued for increased tenant participation, and "a formula for bona fide cooperatives" (Cole 1975, 649).<sup>28</sup> Bauer's later writings continued this theme along with her criticism of the dreariness of public housing design. In 1944, she argued that architects and technicians should give Americans what they inherently preferred—a house and garden versus the modern apartment—but with the benefits of collective and labor-saving facilities (Cole 1975, 653). She remained critical of a public housing program that had widened the gap between classes of people served by public housing and those served by the private market. Decrying the lost opportunity that World War II provided, Bauer warned against only building for low-income families "while totally neglecting the families of middle or average means" (Bauer 1949, 20). She called for a total housing market. Bauer evoked

the words of Helen Gahagan Douglas (D., California) who warned about the danger of fostering fascism in the middle-class by ignoring that group's particular needs for housing reform and other social services. But the middle class, buoyed by a growing economy, eagerly bought single-family houses and embraced their new identity.

From the thirties to the fifties, a change occurred in the public consciousness, as homeownership became synonymous with membership in the middle class. Those working class people who pioneered cooperative buildings were, according to Nathan Glazer and Daniel Moynihan, groups of middle income citizens who maintained their connection to the inner cities (Glazer and Moynihan 1970, 152). But changes were occurring in the labor force and class differences sharpened. The dream of homeownership continued even as the opportunities for achieving this faded.

Now, in the 1990s, it is unclear whether a widespread housing coalition will occur among the poor, working, and middle class. All, except those who were able to buy earlier and have paid off mortgages, face a lifetime of being renters in what appears to be a constantly inflationary society. On the more optimistic side, awareness of the cooperative part of the alternative dream may have a better chance for spreading to a wider spectrum of people. Mutual housing has gained strength. Housing activists in two major cities, New York and Los Angeles, are involved in mutual housing associations (MHA), as residents and as promoters. Inadvertently, schemes to get government out of public housing have also turned attention to cooperatives, as is discussed in the following chapter by Rohe and Stegman. We may enter the 21st century with a collective rather than an individual dream, and with more choice in tenure form.

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## NOTES

- <sup>1</sup> The Foundation for Cooperative Housing Company, Inc., operates mainly in areas outside New York City, and is a subsidiary of the Foundation for Cooperative Housing (FCH). By 1958, FCH had helped convert two former public housing projects, totaling 2,500 units, into cooperative ownership. Previous technical assistance groups included the Cooperative League of the United States and the Cooperative League.
- <sup>2</sup> In 1989, Dolkart reported that: "Some now allow apartments to be sold at market prices and others have recently begun allowing owners to hold mortgages. As the population of Sunset Park has changed, fewer and fewer of the tenant owners are of Finnish extraction."
- <sup>3</sup> According to Louis Pink, Heimgesellschaft or the Shalom Aleichem Houses, was started by a B. Brodsky, a builder interested in the cooperative movement. See note 5.
- <sup>4</sup> Pink wrote that the apartments were named after Andrew J. Thomas, the architect for Rockefeller's Tidewater Oil Company which had built employee housing in Bayonne, New Jersey. Abraham E. Kazan was familiar with Thomas and didn't think the Amalgamated workers would be satisfied with the apartments in Bayonne because of the small rooms, low ceilings, and unattractive layout.
- <sup>5</sup> It is not clear from the records looked at that B. Brodsky is the same as Baruch Brodski (identified as a dedicated socialist builder in some accounts), or Brodski (Abraham E. Kazan identifies him as a contractor for Amalgamated). Deborah Dash Moore's history of New York Jews identifies a Baruch Brodski as a part of the "handful of dedicated socialists...[who] sought to wed the virtues of middle-class housing to the requirements of the cooperative commonwealth" (Moore 1981, 53). In "The Reminiscences of Abraham E. Kazan" (Kaplan 1967) Kazan refers to a Brodski active in construction of moderate rental units who was recommended to him by Adolph Held. Brodski received a contract to build Amalgamated Dwellings, but Kazan dismissed him over price differences and the builder's subcontracting activities.
- <sup>6</sup> "Housing Activities of Labor Groups," *The Monthly Labor Review*, vol. 27 (Washington, D.C.: August 1928), pp. 209-226., reported that each member had to pay in \$250 per room.
- <sup>7</sup> In "Labor in Housing," *American Labor* (July 1968), pp. 32-44, Smith's backing is explained as a response to housing shortages in New York City which had sparked a wave of tenant protests and rent strikes. Court calendars were overcrowded with landlords suing tenants for nonpayment of rents.
- <sup>8</sup> Other examples of union activity, especially during the twenties and thirties,

included the Rochester local of Amalgamated which started a second credit union in 1928 with 2,000 members. An earlier one is reported for the capworkers in 1923. In New Jersey, one union leased a large wooded tract for those members who needed fuel. They were permitted to cut as much wood as they needed. The Brotherhood of Locomotive Engineers purchased more than 50,000 acres of land in Florida and built a small town. Harold Ostroff, "Labor Co-ops and the Housing Crisis," *The American Federationist* (May 1969), pp. 15-18, references other unions who entered the cooperative field after World War II: "Most notable were the Ladies' Garment Workers Union, Local 3 of the International Brotherhood of Electrical Workers and the Amalgamated Meat Cutters Union" (p. 16). In 1951, the United Housing Foundation (UHF) in New York City was incorporated as a federation of trade unions, cooperatives, and other nonprofit organizations. UHF was the sponsor for 15,382 units in Co-op City in the Bronx. Other unions which have sponsored housing cooperatives include Service Employees' Local 254 (314-unit cooperative in Roxbury, Massachusetts); Greater New Haven Labor Council in New Haven, Connecticut (101 unit cooperative); Communications Workers' Local 3808 in Nashville, Tennessee (76 unit and 178 unit cooperative).

<sup>9</sup> In 1928, *The Monthly Labor Review* reported that: "About one-third are members of the Amalgamated Clothing Workers, one-third are members of the International Ladies' Garment Workers' Union, and the remaining third are workers from other unions" (p. 216).

<sup>10</sup> Because the cost of construction was so low at the time, a somewhat lower equity was required. See "30 Years of Amalgamated Cooperative Housing, 1927-1957," May 1, 1958, published by James Peter Warbasse Memorial Library, Inc., in Amalgamated Houses vertical file, Amalgamated Union, 15 Union Square, New York, N.Y.

<sup>11</sup> The events that followed are too complex to cover in a brief chapter but a State Redevelopment Companies Law was passed which enabled the city to condemn property, resell it and provide tax abatements. Metropolitan Life Insurance Company used this law to build its rental projects, Stuyvesant Town and Peter Cooper, and in 1950, Amalgamated built Hillman Houses, a cooperative that adjoins Amalgamated Dwellings.

<sup>12</sup> Other labor unions which tried to start cooperatives included the International Ladies Garment Workers, the Brotherhood of Electrical Workers, the Brotherhood of Painters, Decorators and Paperhangers, the Amalgamated Meat Cutters and Butcher Workmen, the New York Hotel Trades Council, and the International Bakery and Confectionery Workers Union. In addition, a local union of the Textile Workers Union sponsored a cooperative development in a southern textile mill town. The United Automobile Workers planned a cooperative project in Milpitas, California, and the Building Trades Council planned one in Fresno,



California. The Omaha Educational Association sponsored a Section 213 cooperative for teachers. The employees of the United Nations' Secretariat organized a cooperative in order to build a housing development in Westchester, N.Y.

<sup>13</sup> Kazan was skeptical of public housing. He feared lack of self-help principles could lead to a sense of impermanence or dampen residents' ambition because public housing was based on income limits and eligibility requirements. Donald Sullivan (1969, 10-11) refers briefly to early references to cooperative tenure and public housing but does not conceptualize the interrelated histories.

<sup>14</sup> Bauer was influenced by her work with the Carl Mackley Homes in Philadelphia. In 1930, the American Federation of Full-Fashioned Hosiery Workers had built this cooperatively-owned non-profit corporation. Mackley Homes received financing through the short-lived limited dividend program that was begun under the Housing Division of the Public Works Administration (PWA) and was discontinued in 1934. In the early thirties, Bauer traveled in Europe. She returned home and won a housing essay competition Fortune magazine sponsored. Gerald Daly (1989) argues that reformers like Bauer misinterpreted the lessons to be learned from British council housing. To begin with, the labor movement was much stronger in Britain than in the United States, and still the British program was a "number of different initiatives, changing over time, with shifts in central and local governments, and with alterations in perceived needs...." (p. 419). Second, showcase projects in London did not reveal the local problems and dissatisfaction that residents experienced elsewhere. Third, large scale developments faced problems in turnover, rental arrears, and evictions. Fourth, the working class for whom council projects were supposedly intended, could not afford the rent structures.

<sup>15</sup> In this spirit, a government management manual of 1942 defined the neighborhood, the development and the area surrounding the development, as the unit for planning community activities.

<sup>16</sup> Kazan recounted that each Amalgamated project had to begin from scratch, getting people together to talk and make commitments, while any failure in any cooperative reflected on the worthiness of all (Kaplan 1967, 454).

<sup>17</sup> Marwick believes the 1937 Housing Act's reference to income groups reveals the same tenor of classlessness embedded in the Social Security Act, although he writes about Wagner himself remarking that the bill cannot possibly reach those without any money to pay rent. See Marwick, p. 70.

<sup>18</sup> The Philadelphia Labor Housing Conference later became the National Labor Housing Conference.

<sup>19</sup> Bauer and Vladeck argued:

"(1) In contrast to the country's vast resources of land, labor, materials and skill, the dwellings available to the majority of workers were substandard, obsolete, and grossly inadequate. (2) In spite of

an acute impending housing shortage and rising rents, the building industry was at a standstill and the great majority of building workers were still unemployed; these conditions underscored the longstanding inability of private enterprise to supply new or modern dwellings affordable by the average worker. (3) The Congress, the Administration, and many state legislatures had officially recognized that public aid and initiative were necessary if the housing problem were to be attacked effectively, particularly in the case of the Administration's attempt to undertake an extensive program of planned large-scale housing projects. (4) The federal housing program had been 'steadily compromised by the lack of a clear-cut long-term policy and legislation to effect it, and by the treatment of housing as a mere adjunct to a temporary, emergency relief program...' (5) The 'only force which can animate and promote a permanent public housing policy, and compel the Administration to put its promises into effect' is 'an active, unified and informed demand on the part of workers and consumers, led by organized labor...'

<sup>20</sup> A selection of pamphlets from the CIO and the AFL included information on public housing for low income families but also described the cooperative as "a new method" and mutual home ownership. For example, "Want a New Home? Here's the Key," promoted Senators Wagner, Ellender and Taft's S. 1592, accompanied by the argument that new homes were not being built for bricklayers, carpenters, and other building workers. S. 1592 included provisions for mutual housing projects.

<sup>21</sup> Roosevelt's attempt to pack the U.S. Supreme Court failed but the struggle is reported to have drained Congressional energies. This meant that more opportunity existed for any housing bill to pass.

<sup>22</sup> In a similar but unsuccessful effort, the United Auto Workers Housing committee proposed about 20,000 units in "a government-financed, and eventually worked-owned, defense city" near Willow Run, Michigan, to serve Ford's largest bomber production factory in the United States. Both Detroit and the county in which Willow Run was located had an insufficient housing supply and was largely unaffordable for the workers. But Ford and local and state authorities opposed the innovative scheme that would have included housing, recreation, shopping facilities, and schools.

<sup>23</sup> The National Association of Housing Officials in its "Summary of the 1952 Housing-Redevelopment Year," June 1953, reported that Pennypack Woods, near Philadelphia, was bought by a mutual ownership group. In Greenbelt, Maryland, the Mutual Home Owners Corporation, hired Westbrook as a consultant in 1949. A group of residents wanted to continue the original concept of cooperative ownership that Rexford Tugwell and his staff had envisioned. The corporation reor-

ganized as the Greenbelt Veteran Housing Corporation. By 1952, after a stalemate and stalled negotiations because of the Korean war, few residents were interested in cooperatives. The Housing Corporation was only interested in the row houses and 800 acres of undeveloped land. Nonresident money almost entirely financed the purchase; later sales of other property went to private owners.<sup>24</sup> It appears that the phrase "moderate income" rather than working class does not appear until after the 1960s; today moderate income is sometimes used interchangeably with the term "moderate cost" housing for middle-income families.<sup>25</sup> For example, the legislative program of the American Association of University Women for 1947 to 1949 included provisions for public housing for low-income families, coordination of federal housing functions to integrate efforts with community participation, and measures to reduce the cost of housing production. Cooperatives were not mentioned. *The Journal of the American Association of University Women*, Convention Number, summer 1947, p. 222. The "Proceedings of the Thirty-Sixth Meeting of the National Conference of Catholic Charities," November 2-26, 1950, included a reference to cooperative housing and "all sorts of self-help projects in the housing field, but we do not see any immediate prospect for any such effort on a large scale in the United States." (p. 18) In 1946, and revised in 1949, the American Association of Social Workers adopted a platform statement for a national housing program that called for good housing for all income groups. They requested that governmental loans and grants be made available for public housing and "for properly regulated housing built and operated by non profit private organizations such as cooperatives, foundations, social and philanthropic organizations." (p. 2)

<sup>26</sup> The National Association of Housing and Development Officials, December 1954, distinguished between: (1) one or more multifamily structures that provides cooperatively managed housing for its members; and (2) single family buildings, constructed and put up for sale to members, with the cooperative association dissolving after construction and members purchasing title to their dwellings. The National Association of Housing Officials (renamed as Housing and Redevelopment in 1954) reported on production of co-ops under Section 213 but after an initial stake-hold, the number of applications dropped. No mention is made of Section 213 in the organization's reports, as of 1955.

<sup>27</sup> The American Friends Service Committee (AFSC) was another technical assistance group. In 1937, the AFSC sponsored Penn-Craft, two story houses with high building standards, including central heating, for 50 out-of-work miners in western Pennsylvania. The overall objective was to build a completely self-sufficient community; it took almost six years to complete the project. As of a report in 1967, the cooperative store was sold to a private party. Penn-Craft began with a \$125,000 donation by the United States Steel Corporation which was mostly repaid through the mortgages. The Penn-

Craft loan was used as a revolving fund but the AFSC lost the money on a Philadelphia self-help cooperative project.

<sup>28</sup> Bauer observed what she called a "spontaneous burst of interest in cooperative housing all over the country ever since the war."

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## CONVERTING PUBLIC HOUSING TO COOPERATIVES: LESSONS FROM NASHVILLE

William M. Rohe and Michael A. Stegman

Recently there has been growing dissatisfaction with many of the traditional means of providing housing for low-income households (Peterman and Young 1991). The public housing program, for example, has been faulted for its poor management and poor maintenance (Connerly 1986, Peterman 1989). It has also been criticized as being paternalistic and for encouraging dependence on public subsidies.

Similarly, housing programs that provide subsidies to private landlords in return for low rents have been faulted for failing to provide a long-term solution to the housing affordability problem (Bratt 1987). Recent experience with prepayments and expiring use restrictions on units funded under the Section 236 and 221 (d)(3) housing programs has shown that longer term solutions are needed (National Low Income Housing Preservation Commission 1988). Many families living in units built under those programs are now in danger of having their rents increase dramatically and of having to move.

One often touted alternative to these conventional means of providing affordable housing is the limited-equity cooperative (Franklin 1981, Fuerst and Fuerst 1979, Kunze 1981, Zimmer 1977). Proponents of limited-equity cooperatives suggest that they have a number of advantages over other means of providing housing for lower-income households. First, they have the potential to provide housing that will remain affordable for the foreseeable future. The equity limitation provisions central to this approach are designed to ensure that the cost of membership shares, which entitle cooperators to occupy dwelling units, is kept affordable. A share holder who wants to move is only entitled to his or her investment, including the initial cost of membership share and the cost of any improvements made to the dwelling unit, plus some limited appreciation as specified in the original agreement. Thus, membership shares remain affordable to low- and moderate-income families.

Second, proponents argue that limited-equity co-ops provide their members with a variety of social benefits, including greater community pride, empowerment and security (Birchall 1988, Midwest Association of Housing Co-

operatives 1977, Peterson and Young 1991). Cooperators are also said to take better care of their dwelling units and to have higher levels of satisfaction (Franklin 1981, Leavitt and Saegert). Finally, cooperators enjoy the same tax advantages as those who own their homes in fee simple.

There is some question, however, whether limited-equity cooperatives are feasible when their members consist exclusively of very-low-income, former public-housing families. These families may not be able to afford the carrying costs even if the property is provided to the cooperative at a below-market price. According to Kunze (1981), "just as public housing was never designed to serve the very low-income, public housing cooperatives are even less likely." Public housing residents may also lack the desire and management skills needed to run a successful cooperative. Peterman and Young (1991) suggest that "housing advocates had promoted empowerment as a key element of cooperative living. However, low-income households, were often less interested in empowerment than in obtaining adequate shelter and therefore frequently showed little enthusiasm for the extra work and the risks associated with being a co-op member" (p. 29). Racine Courts, one of the first cooperatives composed of former public housing residents, failed after a short period of operation (Peterman 1989). Moreover, Leavitt and Saegert (1990), in studying ten limited equity co-ops in New York City, suggest that limited tenant financial and human resources contributed to the struggles of some of the co-ops studied and the outright failure of others.

Others accept the feasibility of giving tenants major responsibilities for managing their developments but suggest that the impetus for these initiatives has to come from the ground up (Monti 1989). Interest in tenant management and/or ownership, it is argued, cannot be manufactured by outsiders. It must come from the tenants' dissatisfaction with the quality of their life and their desire to do something about it.

The question of the feasibility of converting public housing to limited-equity cooperatives became particularly timely with the 1990 National Affordable Housing Act. This created the HOPE 1 program which was designed to assist low- and moderate-income families to become homeowners. The HOPE 1 program authorized grants to plan and implement the sale of public housing units to the tenants. Cooperatives were explicitly mentioned in the Act as an appropriate means of transferring public housing units to residents. Congress then appropriated \$161 million for the HOPE 1 program.

This article explores the feasibility of converting public housing developments to limited-equity cooperatives. More specifically it addresses the question: What does it take to turn a public-housing development into a successful cooperative? In addressing this question we review the experience of converting a public-housing development in Nashville, Tennessee, to a limited-equity cooperative. This was one of five multi-family conversions carried out under



HUD's Public Housing Homeownership Demonstration (PHHD) which was conducted between 1985 and 1989.<sup>1</sup> The Nashville conversion was clearly the most successful of the multi-family conversion projects carried out under the demonstration. As such it provides a model for others interested in converting public housing to cooperatives.<sup>2</sup>

### BACKGROUND ON THE PHHD

In 1984, The Public Housing Homeownership Demonstration was proposed by the Reagan Administration as a means of expanding the sale of public housing to tenants. It was also intended to collect information that would be useful in developing program regulations for Section 5(h), which was added to the National Housing Act in 1974 but for which no program regulations had been developed. Section 5(h) allows HUD to approve sales of public housing units to residents at below market prices. Moreover, the federal government continues to pay any outstanding long-term debt on the original construction and/or modernization of the units sold. Section 5(h), however, prohibits HUD from continuing to provide operating subsidies for the units once they are transferred to their former tenants or other eligible buyers. Therefore the buyers must be able to afford the carrying costs of the units without federal assistance.

HUD had congressional approval to sell up to 2,000 units under the PHHD and invited local public housing authorities (PHAs) to submit proposals. The PHA were given considerable flexibility in designing their programs, including selecting which units to sell, how to price them and the terms of the sales. HUD did, however, specify four conditions that all demonstration programs had to meet. The four conditions were: 1) all properties transferred had to be in good condition prior to sale; 2) there could be no involuntary displacement of sitting tenants; 3) pre-purchase counselling had to be provided to prospective owners; and 4) there had to be a means of guarding against "windfall profits" for at least five years after the units were transferred to tenants (Rohe and Stegman 1990).

HUD received a total of 36 applications and selected 17 to participate in the demonstration. Together they proposed selling a total of 1,315 public housing units to tenants. Of the 17 demonstration programs, 12 involved the fee-simple sale of single-family units, one involved the sale of a multi-family development as condominiums and four involved the sale of multi-family units to cooperatives composed of former public housing residents. Of the four cooperatives proposed under the PHHD, the one created in Nashville is clearly the most successful.<sup>3</sup>

### THE NASHVILLE CO-OP

The initial impetus for creating the cooperative in Nashville came from the executive director and the housing authority's board and staff. They saw the PHHD as a means of building on a successful Turnkey III lease-purchase pro-

gram that provided homeownership opportunities to over 120 low-income families. The demonstration program provided the means of providing homeownership opportunities to an additional group of public housing residents.

Tenant involvement in developing the proposal that was sent to HUD was limited by the short time available, but two meetings were held with residents of the units to be sold: one to present a draft proposal and one to vote on the final proposal. The proposal had strong support from local politicians and tenants. This was at least partly attributable to the successful Turnkey III program mentioned above. Thus it is interesting to note that the impetus for the program came from the housing authority and not from the tenants themselves.

The original proposal to HUD called for the sale of three housing developments with a total of 85 units. The three developments included a 48 unit, two-story apartment complex called Edgefield; a 19 unit development consisting of triplexes and quadraplexes called Edgehill; and an 18 unit duplex development called South Inglewood. These developments were chosen by local officials because, compared to the other public housing developments, they were attractive and in relatively good condition. The South Inglewood development was new and had not been occupied. The other two developments had been built within the last ten years but required some improvements such as roof repairs and improved drainage. The relatively small size of these developments was seen as conducive to ownership.

The original proposal called for the Edgefield apartment complex and the Englewood development to be sold to tenants as two separate condominiums. The South Inglewood development was to be sold to the residents as condominium units. As we shall see, however, after the program was approved by HUD the residents decided that they would rather have the units transferred to one scattered-site cooperative. The scattered-site nature of this cooperative makes it a particularly interesting example as it posed an extra challenge to the cooperators.

## MARKETING THE PROGRAM AND SELECTING PARTICIPANTS

The first major step in creating the co-op was marketing the idea to the residents of the units to be sold. Given HUD's prohibition on involuntary relocation it was crucial that a large percentage of the current tenants agreed to participate. Those who did not want to participate or who had very low incomes would either have to be allowed to stay as renters or enticed to voluntarily move to a different unit. The MDHA set a 60 percent minimum participation rate for the project to move forward.

Marketing was done through the distribution of brochures, home visits by MDHA social workers and other staff, and meetings held in each of the developments to be sold. MDHA staff visited each of the households to explain the

program. A periodic newsletter that reviewed progress and announced upcoming meetings was also sent to all residents. Program progress was slowed, however, by the difficulty of explaining cooperative ownership to tenants. Cooperatives are not prevalent in Tennessee and it took awhile for the staff to learn enough to be able to adequately explain the concept and for tenants to understand it. Once explained, the staff also had difficulty generating interest in "something unseen" and developing a sense of efficacy among the tenants. Program staff believed that these elements were necessarily a lengthy process that could not be rushed.

In a focus group session five residents were asked why they were interested in joining the cooperative. The most frequent answers were that they wanted to be able to fix up the unit the way they wanted and to have something they could leave their children. Several participants also mentioned that they liked the fact that their rents would not go up if they received a pay raise. Their major worries were that the units would not be kept in good shape and that they might lose their jobs and be forced to move from their homes.

Not all residents, however, were offered membership in the cooperative. A screening process was created to identify prospective cooperators. This process included assessments of employment stability, recommendations from project managers, reviews of maintenance requests on units and assessments of residents' motivation to participate in a cooperative. This last factor was determined by the staff in interviews with prospective participants.

It is interesting that no income limit was established for individual program participation. Rather, a minimum group average was established. The original proposal was for each co-op member to pay rent based on 30 percent of their incomes. Thus, the MDHA wanted to ensure that the average income for all participants was at least \$10,000, the amount needed to cover carrying costs and to maintain a reserve maintenance fund for the units. As it turns out, however, the program participants argued against this way of determining rents and the MDHA set fixed rents based on unit size. More will be said about this below.

The screening process was initially handled by a task force composed of representatives from the housing management, social services, and development departments. Once an interim co-op board was established, however, it assumed the responsibility for selecting new members.

## TRAINING CO-OP MEMBERS

Once the marketing and initial screening were underway the MDHA turned its attention to training prospective cooperators. Clearly education and training of both residents and board members is a critical part of the conversion process. Realizing their own lack of experience with cooperative housing, program staff turned to the Cooperative Housing Foundation (CHF) to provide assistance. The

CHF is a Washington D.C. based, nonprofit corporation that has sponsored or provided technical assistance in the conversion of over 40 cooperatives since it was established in 1952.

The CHF provided the MDHA with samples of basic legal, cooperative transfer, and cooperative incorporation documents. They also conducted training sessions for tenants on the advantages and disadvantages of cooperative and condominium forms of ownership and on the management of each form of ownership. Finally, they conducted training sessions for both co-op board members and the MDHA staff on the details of cooperative and condominium management. The bulk of CHF's activities revolved around a series of weekend workshops held with the tenants. The goal of these workshops, according to the CHF trainer was "to build a sense of community for the residents. The objective was to improve the residents' knowledge, and develop the necessary leadership community building and personal skills, then make certain that those skills were applied over and over again until they become habit."

At a CHF training session the concepts of cooperative and condominium ownership were explained in detail and the advantages and disadvantages of each were reviewed with tenants. It was at this meeting that the tenants decided they favored cooperative over condominium ownership. They also decided that they wanted a single scattered site co-op. The tenants felt that one cooperative would be easier and more secure than forming two cooperatives and a condominium. Those in the units to be sold as condominiums felt that a cooperative would be more flexible if they were to experience financial difficulties.

In a second meeting tenants reviewed sample cooperative transfer documents such as articles of incorporation, bylaws, and subscription and occupancy agreements and suggested changes to them. It was at this meeting that residents decided it would be fairer to charge each member a flat rate based on the size of the unit occupied, rather than a rate based on their incomes. A third workshop provided tenants with a sense of their responsibilities once a member of the co-op. It explored the personal implications of becoming a co-op member; the duties and rights of members; and the changes from living in a rental community. The emphasis in this session was on getting the tenants to accept the extra responsibilities associated with being a member of a co-op.

While the CHF was conducting this training, the maintenance staff of the MDHA was conducting in-home, two hour training sessions with each prospective cooperator. This was hands on training where residents watched the maintenance trainer perform repairs and then did the repairs themselves. Tenants were also provided with a well-illustrated maintenance manual specifically designed for the appliances in their homes, and a tool box containing basic tools for repair operations. Unfortunately, only about one-half of the buyers received this training before funding for this activity ran out.

The residents were given a chance to participate in the maintenance of their units and buildings well before taking title to them. The MDHA offered prospective co-op members the opportunity to save money toward the cooperative subscription fee by performing specified routine maintenance work. An "earned credit account" was established for each prospective cooperator and MDHA deposited \$20 in each account per month for the services provided.

It was at this point that the tenants of each of the three developments elected representatives to an ad hoc organizing committee. This committee received additional training in how to conduct effective meetings, how to interview and negotiate with prospective management companies, how to select new co-op members, how to develop an operating budget and other aspects of managing a cooperative. This training involved a variety of teaching methods including role playing, lectures, discussions, brainstorming sessions, and question and answer sessions.

In April 1988 the co-op was incorporated and an interim co-op board was elected. This board was composed of the members of the ad hoc committee originally elected by the residents. The newly elected board members began attending meetings of the National Association of Housing Cooperatives where they received additional training. They also benefitted from informal discussions they had with the board members of other co-ops. As described below, however, problems in completing the needed repairs and securing financing for the sale led to a delay in the transfer of units to the cooperative.

In interviews with the original co-op board members, they all expressed satisfaction with the training they had received and felt confident that the cooperative would be a success. They felt that they had come a long way in understanding how to manage a co-op. One commented, "When it [the training] started it was like sitting in a Greek class. Now we are running a business. I never thought I would be running a business."

### MAKING REPAIRS AND FINANCING THE SALE

The MDHA hired an architectural firm to inspect the units to be sold and to prepare a list of needed repairs and improvements. These lists were then presented to tenants, who were given a chance to suggest others. Due to a higher than expected cost estimate, however, a number of the repairs originally agreed upon were eliminated. These items included a playground at one of the developments, full carpeting in the units, a retaining wall on one site, the upgrading of the electrical system and new heating and air conditioning units. Program staff felt that the co-op could be able to afford these repairs by drawing on the reserve fund that was to be established.

The total cost of the repairs actually done was approximately \$625,000. This amount was borrowed from the city's CDBG funds and was to be repaid from the proceeds of the sale of the units to the cooperative. As it turned out, how-

ever, the sale price had to be reduced in order to secure financing. In the end, the MDHA only recovered \$440,000 of the monies spent in repairing the units. The repair work also took longer than anticipated and this slowed program progress.

The larger problem, however, was finding financing for the sale of the units to the cooperative. After several unsuccessful attempts to secure financing from other sources, the MDHA initiated discussions with the National Cooperative Bank (NCB). NCB was established by an act of Congress in 1978 to provide loans and technical assistance to housing cooperatives in areas such as housing, health care, food and energy. According to program staff, the NCB was at first reluctant to provide the financing because they had an unfavorable experience with another low-income cooperative in Tennessee. The staff persisted, however, and the NCB finally agreed to provide financing, but for a lower dollar value than MDHA had sought. These negotiations lasted over a one-year period.

The terms of the sale were as follows. The MDHA set a sale price of \$1,825,000 based on the appraised value of the properties. To make the conversion feasible, however, MDHA offered the cooperative a one million dollar silent-second mortgage to be forgiven over the first five years of ownership. MDHA had hoped to receive the remaining \$825,000 which was the approximate out-of-pocket costs it incurred in the conversion. This included the costs for improving the units before sale, administering the program and establishing a maintenance reserve fund for the cooperative. They anticipated that the cooperative could secure financing for \$800,000 and the remaining \$25,000 would come from the escrow account built up with MDHA payments to tenants for taking on maintenance activities during the pre-conversion period.

Based on an analysis of the projected operating expenses, however, the NCB would only lend the cooperative \$550,000. This led the MDHA to offer the cooperative a silent-third mortgage for the remaining \$250,000. This silent third will be forgiven at a rate of one-fifteenth per year if the cooperative adheres to a recognition agreement signed by both parties. That agreement, among other things, stipulates that the cooperative operate as a limited-equity cooperative.

The term of the first mortgage is 15 years. The payments are based on a 30 year amortization schedule. The initial interest rate is 11 7/8 percent but this will be adjusted at the end of the fifth and tenth years. The interest rate for all loan periods is to be based on the average yield of U.S. Treasury Securities with five-year maturities plus three percentage points.

The NCB also stipulated several conditions for making the loan. The cooperative had to place \$60,000 in an NCB Savings Association Account as an operating and replacement reserve. Beyond this, MDHA had to submit a final income and expenditure pro forma providing a three percent contribution to a reserve fund for replacement, two percent to a general operation reserve, and five percent to a vacancy and collections-loss reserve. The co-op was also asked to submit a plan for

the continuing education and training of the co-op board and of the co-op members. The board agreed to set aside 1.5 percent of their income for this training.

### OPTIONS FOR THE NON-PARTICIPANTS

As mentioned above, the demonstration program under which this sale was authorized prohibited involuntary relocation. In Nashville the need to relocate tenants who would or could not join the coop was reduced since approximately one-quarter of the units had not been occupied when chosen for sale. Families moving into those units were pre-screened to ensure they were both eligible for and interested in joining the co-op. In fact, these families were required to sign agreements saying that if they did not join the co-op, they would move to a different public housing unit. Several of these people did end up moving to other public housing units. The number of non-participants was also reduced by natural attrition. During the three year period some non-participating families moved out on their own. Their units were then filled with families interested in becoming members of the cooperative.

The non-participating tenants in the units that were occupied were given two options. First, they could move to privately-owned housing with the help of a Section 8 certificate or to the more attractive scattered-site public housing units owned by the MDHA. Second, they could stay in their units and, with the assistance of a Section 8 certificate, rent from the co-op. Seven tenants choose this option. It is interesting to note that these continuing renters contributed to the co-op's economic viability, since it received fair market rent for these units, which was considerably higher than the rents being paid by the cooperators.

### PROPERTY CONVEYANCE

After a three year development process all 85 units were transferred to the cooperative on June 26, 1989. The original membership fees were set as follows. The original members, those who joined before the interim co-op board was elected, paid \$192 for a one-bedroom unit, \$233 for a two-bedroom unit and \$279 for a three-bedroom unit. Elderly and disabled members, however, were to pay \$150 for a one-bedroom unit and \$155 for a two-bedroom unit. Finally, new members were to pay \$195 for one-bedroom units, \$265 for two-bedroom units and \$325 for three-bedroom units. This higher rate for new members was needed to make the co-op financially viable.

Membership fees were required of all members. For the original members, however, this payment came from a non-refundable "earned equity account" that MDHA established for each. Thus, no out-of-pocket cash was required of the original members. New members of the cooperative are required to pay a subscription price of \$500, \$400 of which is considered the value of the occupancy agreement while \$100 is a non-refundable working capital contribution.

The cooperative bylaws give priority to new members who have low or moderate incomes. The transfer of memberships is highly regulated by the board. If a member wishes to leave the cooperative, the board has the right to purchase his or her membership at its transfer value. That value is based on the sum of the initial subscription fee; the value of any improvements installed at the member's expense; the principal amortized by the cooperative attributable to the payments made after the first three years; and the amount of any sweat equity performed, as determined by the board of directors.

A "Recognition Agreement" between the MDHA and the co-op contains other important term of the conveyance. In this agreement, MDHA agrees to provide technical assistance to the co-op and agrees that members who default will be given priority for MDHA-administered housing programs. This is essentially a safety net to ensure that defaults do not result in homelessness. The co-op, for its part, agreed to give membership preference to applicants who reside in public or Section 8 housing; to allow MDHA one non-voting seat on the cooperative board of directors; and to grant the MDHA the right to approve or disapprove the selection of a professional management agent during the first two years. The co-op also agreed to recognize MDHA's second and third mortgages on the property and to repay these mortgages if the terms of the agreement are violated.

### CHARACTERISTICS OF COOPERATORS

A comparison of the characteristics of the cooperators in Nashville with a recent NAHRO survey of the characteristics of all public housing residents revealed that in many ways the cooperators are atypical public housing residents. The average income of cooperators, for example, was \$14,008 while the average income of all public housing residents is only \$6,539 (NAHRO 1990). Over 85 percent of the households in the cooperative had at least one full-time wage-earner, while only 24 percent of all public-housing households had a full-time wage-earner. Although there are no comparable statistics in the NAHRO study, 80 percent of the cooperators had at least a high school education, 93 percent were black, and 79 percent were single. The average cooperator also had one child and had lived in public housing for 6.4 years (Rohe and Stegman 1992).

### HOW SUCCESSFUL HAS THE COOPERATIVE BEEN?

One measure of success is the level of satisfaction with their housing units. In a survey of residents done several months after the units were officially turned over to the cooperative 77 percent of those interviewed said they were either satisfied or very satisfied. An additional 19 percent said they were neutral, 11 percent were dissatisfied and none was very dissatisfied. When asked about their satisfaction with the overall performance of the cooperative association,



74 percent were either satisfied or very satisfied, 18 percent were neutral, 5 percent were dissatisfied and 3 percent said they did not know. The level of cooperator participation is also indicative of the health of a cooperative. The cooperators reported attending an average of 4 cooperative meetings within the past year and 72 percent said they had voted in the last election for co-op board members. These figures indicate significant levels of participation in the formation and early months of cooperative ownership. Over time, however, participation in managing the co-op has been said to have waned. Both the manager and MDHA staff reported a fall-off in cooperator attendance at general membership meetings. This is not necessarily a sign of problems, however. Although the ideal is to have a high level of cooperator involvement, Heskin (1990) has noted that co-ops go through cycles of high and low levels of participation. Participation tends to decline when things are going well and increase when crises arise.

Clearly, the survival of the co-op is another important measure of success. At the time of this writing, the co-op has survived for two and one-half years and is in no danger of failing. It maintains a reserve account with more than \$60,000 and the cooperators are getting along well. The co-op has, however, experienced managerial, physical and financial problems. An initial problem was finding a suitable firm to manage the co-op. The co-op board placed a request for proposals in several national cooperative publications but only received two proposals. Representatives from these firms were interviewed by the co-op board members who decided neither was appropriate. One firm was located in a different state and the other had not had any experience managing cooperatives.

This led the MDHA to offer to manage the co-op for the first year. Assigned to this task were the staff person who played the largest role in creating the co-op and an additional staff member. At the end of the first year the co-op again solicited bids for management. About this time the lead MDHA staff person assigned to manage the co-op resigned from the authority and started his own consulting business. He bid on the management of the co-op and was chosen by the board. He now manages the co-op with an office assistant and two maintenance workers.

The co-op has had some problems with vacancies. At the time of our last contact there were 11 vacancies. They expected to fill three of these, however, at their next board meeting. The management staff reported that it was difficult to sell the co-op idea to prospective members. They were beginning a new campaign to market the units through local churches.

Late payments of carrying charges have also been a problem. The management staff reports that the delinquency rate runs around 10 percent per month; those responsible typically pay by the end of the month. The combination of

vacancies and late payments has put strain on the co-op's budget and caused it to have to pay late fees on mortgage payments. They have not, as of yet, had to dip into the co-op's reserve funds. A staff member at the MDHA described the co-op's situation as "living hand to mouth." That is, it was taking in just enough to make the required payments.

The costs of maintaining the units has also been higher than expected. The MDHA underestimated the costs of hiring an adequate number of maintenance personnel. This has led to increases in the membership fees each year. The first year's increase was nine percent and the second year's increase was six percent. According to management staff and MDHA contacts, these increases have not resulted in anyone having to leave the co-op. Ten of the original co-op members have left, but six of these left to purchase their own homes and two needed larger apartment units than were owned by the co-op. Of the other two, one member was forced to leave due to behavioral problems and the other for failure to pay membership fees.

The co-op has also experienced maintenance problems. Dampness due to roof and gutter problems affects seven of the apartment units. The cooperative contends that the MDHA is responsible for making the needed repairs but the MDHA contends that such repairs are not covered in the warranty it offered the cooperative. This matter is under continuing discussion. In the past the MDHA has assisted the cooperative in making some improvements. The MDHA provided the co-op with a three percent loan to pave driveways and construct retainer walls.

## CONCLUSIONS

The experience of the Nashville conversion suggests that it is feasible to convert at least some multi-family public housing developments to limited-equity cooperatives. The co-op has survived for two and one half years, and although it has had some problems, it is in no immediate danger of failing. Moreover, the Nashville experience suggests that it is possible to create scattered-site cooperatives, which are normally thought to be more difficult to manage. The scattered-site nature of the Nashville cooperative has not created any particular problems.

The Nashville experience also suggests that the original motivation for conversion does not have to come from the residents themselves as Monti (1989) has suggested. Housing authorities can act as catalysts in generating tenant interest in being part of a limited-equity cooperative. This may be no easy task, however, particularly in areas where cooperative ownership is uncommon. It will require intensive counseling and training over an extended period of time.

The Nashville experience demonstrates that both the effort and expense of converting public housing developments to cooperatives are substantial. It took three and one-half years to complete the Nashville conversion. Although the difficulty of securing financing was partially responsible for this long conversion

period, it simply takes time to generate interest among tenants and to provide them with the necessary training. The conversion was also costly for the public housing authority. The MDHA estimates that it spent \$320,000 in staff salaries managing the conversion. It also spent \$625,000 in making repairs to the units before they were transferred. The total out of pocket expenditure then was \$945,000. The authority did receive \$440,000 from the sale proceeds but this means that it cost the authority approximately \$500,000 to do the conversion.

The success of the Nashville conversion also required a dedicated and flexible staff who were both willing to let the tenants have a say in how the co-op was to be structured and willing to stick with the project over the long run. A large share of the credit for the success of this conversion has to go to the key MDHA staff person who is now managing the co-op. He showed extraordinary dedication to making the project a success. The leadership of the housing authority also deserves credit for their flexibility and continuing support of the co-op.

The characteristics of the units sold to the co-op also seem important in its success. Overall they were relatively attractive units and in stable neighborhoods. This had a lot to do with tenant interest in owning these units. Tenants in less attractive developments or in deteriorated areas are less likely to show the same interest in owning their units.

The relatively good condition of the units also meant the cost of rehabilitating the units before sale was reasonable. Even here, however, the authority did not make all the repairs needed. Moreover, their ability to finance these repairs was facilitated by the Authority having control over the CDBG funds provided by the federal government. Most housing authorities are not joint housing and community development agencies and are likely to have a more difficult time finding the necessary resources to make repairs before sales. The new HOPE I program attempts to address this problem by providing additional funding for the rehabilitation of units sold under the program. HOPE I does, however, require participating housing authorities to provide matching contributions equal to 25 percent of the implementation grants received. Thus the sponsoring housing authorities will bear a significant share of the rehabilitation costs.

The characteristics of the cooperators in Nashville suggest that co-op ownership is limited to the higher income, normally better educated residents of public housing. Although there were several cooperators that had incomes around the mean income for all public housing residents most had incomes considerable higher than the average public housing resident. This suggests that the potential for converting public housing to cooperatives is limited, unless continuing subsidies are provided. The new HOPE I program does allow for continuing subsidies to be provided for up to five years after the units are transferred to tenants. HUD, however, will give a lower funding priority to proposals that include requests for continuing subsidies.

In conclusion, experience in converting multi-family public housing developments to cooperatives is still extremely limited. Careful evaluations of the conversions that will take place under the HOPE 1 program are needed to add to our understanding of the factors that lead to successful cooperatives and the long-term impacts of these conversion programs on both the program participants and the non-participating public housing residents. The British experience in privatizing public housing suggests that a greatly expanded public housing sales program may lead to the further concentration and isolation of the poorest members of society. It would be unfortunate if this were the outcome of privatization efforts in the U.S.

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## NOTES

- <sup>1</sup> For information on the other multi-family conversions proposed under the PHHD see Rohe and Stegman (1990) and (1992).
- <sup>2</sup> The information presented in this article was collected over a five year period from January 1987 through January 1992. Semi-structured interviews were conducted with key informants, during two site visits and numerous telephone contacts. The key informants included the MDHA's director and staff involved in the program, the Cooperative Housing Foundation trainer and co-op board members. Home interviews were also conducted with 66 of the cooperators shortly after the property was transferred to the co-op. Many program documents, such as by-laws, occupancy agreements, and sales agreements, were also collected and analyzed.
- <sup>3</sup> The other housing authorities proposing cooperative conversions were Denver CO., Paterson N.J., and St. Thomas V.I. The Denver co-op was the first to take title to the property but experienced problems with the quality of repairs made to the structures, underestimated carrying costs and high vacancy rates. The conversion in Paterson was stalled due to an extended period of renovation and conflict over the relocation of non-participating households. At the time of this writing the development had still not been transferred to the tenants. The relocation of non-participating households was also a problem in St. Thomas as was lack of attention to the project by the housing authority. At the time of this writing 77 of the proposed 120 units had been transferred to the cooperative. The remaining units will be transferred to the cooperative as their current occupants move. For more detailed discussions of the problems experienced in these conversions see Rohe and Stegman (1990).

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## NOT THE MIDDLE WAY BUT BOTH WAYS— COOPERATIVE HOUSING IN SWEDEN

K. A. Stefan Svensson

### IF COOPERATIVE HOUSING IS SO DESIRABLE— WHY ARE THERE SO FEW HOUSING COOPERATIVES?

“If cooperative ownership is so desirable, why are there so few cooperatives?” This is the provocative title of an article by Jon Elster (1989). His discussion concerns workers’ cooperatives and their chances of survival and success in a capitalist market, but the same question could well be asked about housing cooperatives. Cooperative housing seems to have many friends and few opponents. Still, in most countries cooperatives play quite an insignificant role on the housing market.

Elster does not find one single and obvious solution to his cooperative paradox. Instead he provides us with an abundance of possible answers to why there are so few workers’ cooperatives.

Moreover, his distinctions between alternative explanations are not quite up to his usual razor-sharp clarity. One important point that can be derived from his analysis is, however, that cooperative failure may be due to two essentially different types of problems: those that are fundamental and those that are transitional.

In Elster’s view, the usual explanation of cooperative failure is that cooperatives are not economically viable, or that workers prefer working in capitalist firms. Those are what I would call “eternal” or *fundamental cooperative problems*. Workers may not want to participate in decision-making, or they may lack the technical competence required. Participation may be costly, or cooperatives may not give the right incentives to work hard or to lay off redundant workers (Elster, 1989: 94).

Elster does not find any of these explanations convincing. Instead he concentrates on the problems that isolated cooperatives may face in an otherwise capitalist economy, what I could call *transitional cooperative problems*. Such difficulties may be due to the preference of potential cooperators to choose a form that is better known under capitalism, adverse selection of cooperators, discrimination against cooperatives by the market, or negative externalities in the relationship between the individual cooperative and the capitalist economy.



If any of these explanations are correct, it would mean that the failure of cooperatives is due to obstacles that arise precisely because there are so few of them (Elster, 1989: 96-99, 109).

The challenge to housing cooperatives is not simply to survive in a capitalist market, but rather to compete with other tenures both in the market and in the policy arena. With this modification, the distinction between fundamental and transitional cooperative problems still seems useful. It does not take much imagination to translate the problems listed by Elster to housing. Fundamental problems could be that tenants do not want to participate in the management of their estate, that they lack the competence to manage efficiently, or that cooperative housing does not provide tenants and management with the right incentives. Transitional problems may be that only eccentrics or idealists are prepared to join cooperatives in a housing sector dominated by capitalists and the state. Furthermore the market may not be ready for cooperative solutions, and the legal and institutional framework may be unfavourable.

In housing, as well as in other cooperative sectors, the main point is this: if the problems are fundamental, the cooperative case may be hopeless. If the problems are created by an adverse environment, they might be solved once a certain threshold has been crossed.

Why is cooperative housing considered desirable by many? Here we may distinguish between internal and external arguments. The *internal arguments* focus on democracy. Cooperatives are looked upon as democratic organizations. By joining together on equal terms, it is held, members of a cooperative can take care of their common affairs in a spirit of participatory democracy, thereby obtaining a sense of shared responsibility, perhaps even personal self-fulfillment. I will call this the *democratic aspect of cooperative housing*.

Of course, a cooperative may be regarded solely as a democratic way to handle the common affairs of a certain group of people. Most advocates of cooperatives, however, seem to have a more missionary attitude. To them the cooperative ideal is a way to improve society as a whole. The internal arguments in favour of a democratic organization are reframed into external arguments in favour of a cooperative society.

The *external arguments* focus on autonomy and non-exploitation. According to Elster, these are the values that make workers' cooperatives seem desirable to many, as a decentralized form of socialism. Again the argument has to be stated somewhat differently in housing. The concept of exploitation in a welfare sector is ambiguous to say the least, and a number of different external roles may be advocated for cooperatives in the housing sector. The common denominator seems to be that "ordinary people, including those with limited resources, should be able to solve their housing problems in an autonomous way through the cooperative sector. I will call this the *social aspect of cooperative housing*.

Cooperative solutions have sometimes been brought out as a *third or middle way* between the two traditional ways to organize production and distribution, between socialism and capitalism, plan and market, collectivism and individualism. In a pragmatic version, the notion of a third way means a compromise between state and market. In a more utopian version neither money nor power is seen as the driving force of the cooperative economy, but social norms promoting mutual self-help in a communitarian spirit (cf Silver, 1989).

The social and democratic values of cooperative housing are often highly praised in the housing debate. So, why do housing cooperatives play such a minor, often negligible, role in most countries, at least in terms of their share of the market? Are the cooperative problems in housing fundamental or transitional?

The failure of the workers' cooperative has been almost universal, at least so far. In housing there are at least some deviant cases. Most conspicuous are Norway and Sweden, where cooperative housing represents a considerable share of the market. By analyzing the deviant case of Swedish cooperative housing, I will try to find some clue to the solution of the cooperative paradox. Can the viability of cooperative housing in Sweden be explained by the actions of cooperative leaders or by the structural and institutional characteristics of the Swedish system of housing provision? Or do we have to attribute it to some particular Swedish "culture of cooperation"? This is the first theme discussed in the article.

My second theme concerns the social and democratic aspects of cooperative housing. Perhaps economic and political success has a price in terms of these cooperative values. There may be some trade-off between economic prosperity and ideological orthodoxy.

The outline is as follows: After an introductory overview of the sector, I present a short history of the political and economic development of housing cooperatives in Sweden, and discuss it in organizational, institutional and ideological terms. Then I consider my second theme, the possible trade-off between different cooperative goals, in relation to available empirical material on Swedish housing cooperatives. The two themes are brought together and reformulated in terms of the notion of cooperatives as a third or middle way. Finally, I make some reflections on how the deviant Swedish case can help us to solve the paradox of cooperative housing.

The empirical evidence referred to is collected from a number of Swedish sources. For a more comprehensive account of different aspects of cooperative housing in Sweden, with complete references, the reader is referred to Bengtsson (1992).

## HOUSING COOPERATIVES IN SWEDEN— AN OVERVIEW

About one-sixth of all Swedish dwellings are cooperatively owned. In multi-family housing, where owner-occupancy is prohibited by law, the cooperative share is some 30 percent, nearly the same as those of the other two large multi-

family sectors, public and private rentals. In single-family housing the market is dominated by owner-occupancy, and the cooperative share has long been a modest two or three percent. In the production of single family houses in the late 1980s, however, new cooperatives represent as much as 30 percent. Thus, we may be witnessing a cooperative breakthrough on that market as well (Swedish Official Statistics, 1991a: 15; Swedish Official Statistics, 1991b: 18).

Cooperative housing is often defined in terms of type of tenure. The characteristic Swedish cooperative tenure, *bostadsrätt*, is usually translated "tenant-ownership," indicating that the individual user's right to control is something between tenancy and ownership.

Most cooperative estates are owned by a *tenant-owner cooperative (TOC)* with the individual tenant-owners as members. In organizational terms one can distinguish between two main types of TOCs. One type is organized within one of the two national organizations: HSB (The Tenants' Savings and Building Societies) and Riksbyggen (The Cooperative Building Organization of the Swedish Trade Unions). The other type of TOC is more heterogeneous, consisting of cooperatives founded by building companies, groups of households, local authorities, etc. Since the TOCs of HSB and Riksbyggen are attached in a mandatory way to their respective mother organizations, I will use the term *attached* for those TOCs and *independent* for other TOCs.

HSB, the largest of the two national organizations, is based on the consumer-cooperative principle of individual membership. It has three cooperative levels: TOCs, HSB societies and the HSB National Federation. Both the TOCs and their individual members are members of the regional HSB society, together with people queuing for an HSB dwelling. The TOCs are primarily responsible for the management of existing houses and estates, and the HSB societies for construction of new houses and recruitment of new members. The HSB societies, being professional organizations, also offer the TOCs certain economic, technical and managerial services. The HSB National Federation, with the HSB societies as members, is responsible for the overall policy of the organization and for assisting societies and TOCs in technical, financial, legal and administrative matters. Of great economic importance is the HSB savings bank, administered by the national federation.

The dominant owners of Riksbyggen are not individual tenant-owners, but the trade unions of the building sector. Some, but not all, TOCs attached to Riksbyggen also hold shares in the national mother organization. The TOCs are organized in much the same way as those of HSB. Functions corresponding to those of the cooperative HSB societies are performed by district offices operating directly under the head office in Stockholm. The responsibilities of the head office are about the same as those of the HSB National Federation. However, rather than having a bank of its own, Riksbyggen holds special agreements with local savings banks on savings and loans for prospective tenant-owners.

SBC (The Swedish Central Organization of Tenant-Owners Cooperatives) is a national organization with independent TOCs as members. It is a service and interest organization, and its links with member TOCs are far weaker than those between HSB and Riksbyggen and their attached TOCs. Only about one-third of all independent TOCs are members of SBC.

In 1985, there were some 620,000 tenant-owned dwellings in Sweden. Considering production of new houses and conversions the number should by now be at least 650,000. In 1988, there were 300,000 HSB and 135,000 Riksbyggen dwellings, which leaves about 215,000 to independent cooperatives.

By the end of 1987 there were about 3,500 active TOCs within HSB and about 1,500 within Riksbyggen. The average size was about 90 dwellings with a range from three to more than a thousand. The number of independent TOCs has been estimated at somewhere between 5,000 and 6,500, indicating an average size of between 30 and 40 dwellings (Svensson, 1989: 9-13).

On average the housing stock is up-to-date, even by Swedish standards. In 1985 more than 98 percent of the cooperative dwellings were classified as modern (Swedish Official Statistics, 1988: 227). In Sweden, units are relatively small in multi-family dwellings, including cooperatives. In 1985 the average size of a cooperative dwelling was two to three rooms plus a kitchen, about the same as private and public rentals (Swedish Official Statistics, 1991b: 24).

The tenant-ownership tenure completely dominates cooperative housing in Sweden, and in the Tenant-Owner Act of 1930, housing cooperatives other than TOCs were in principle prohibited. Existing rental cooperatives were not dissolved, but they were no longer allowed to build or acquire new houses. Thus, there are still some rental cooperatives, though most of them manage quite old estates. The main exception is SKB (The Cooperative Housing Association of Stockholm), which still produces new rental housing on a cooperative basis.

The number of rental cooperatives has been estimated at between 1,000 and 2,000 with a total of some 20,000 dwellings (Svensson, 1989, pp. 9-10). In the 1980s, the fast rising prices of tenant-ownership dwellings led to a renewed political interest in cooperative rentals, and new formations of this type of cooperative have again been allowed on the basis of trial legislation.

## ECONOMIC AND POLITICAL SUCCESS

By conventional standards, and certainly by Elster's, Swedish cooperative housing must be regarded as successful. In most countries housing cooperatives play a marginal role, at best representing one or two percent of the total stock, whereas in Sweden the cooperative sector is firmly established as an important component of the system of housing provision.

If we view the existence of transitional obstacles to cooperatives as a serious deterrent, we should look to history for an example of a case which overcame those obstacles. What made it possible for cooperative housing in Sweden to cross the threshold between failure and success, between marginality and integration? In the following brief historical account the focus is on the HSB organization, which through the years has been the main force behind the development of the sector. (For a thorough study of the history of HSB, the reader is referred to Gustafson, 1974.)

Two periods seem to be of special importance. One is the consolidation period of HSB from its founding in 1923 up to the Second World War. The other is the expansion period from the end of World War II to the mid-1960s.

In retrospect, the breakthrough of cooperative housing in Sweden came in 1923, when the first HSB society was organized by the Tenants Association of Stockholm. By that time various attempts to form housing cooperatives had been going on for fifty years, but with limited success; in several cases cooperatives had been used for speculation with the tenant savings. The non-speculative rental cooperative SKB was founded in 1916, but with the development of HSB it came to play a secondary role.

The decision to start the first HSB society was triggered by political change. Earlier in 1923 the rent control program established during World War I was abolished. HSB was regarded as a means to provide shelter at reasonable cost on the anticipated speculative market.

The following year, the HSB Society of Stockholm founded the HSB National Federation, mainly as a means to start new HSB societies outside Stockholm. The period preceding the Second World War witnessed the steady and systematic growth of the HSB organization. The foundation was laid for post-war expansion, in both ideological and organizational terms.

Of ideological importance was the avant-garde role played by the HSB movement. During the inter-war period, HSB virtually alone represented the idea of nonprofit housing on a privately dominated market. An often-cited example of the social ideology was the initiative to provide all dwellings with bathrooms, at the time considered by many a luxury unnecessary for workers. Other socio-technical innovations were refuse chutes, common laundrettes, children's play groups, day nurseries and nursery schools.

Avant-gardism was combined with organizational expansion. Starting in the mid-1930s, HSB developed an almost complete apparatus for housing production and management. By 1940 the productive capacity of the HSB concern was in fact larger than what was actually needed to meet the demands within the organization.

In spite of the considerable ideological and organizational development, cooperatives still represented a minor part of the housing market; only 20,000 HSB dwellings were produced during the period from 1923 to 1939. Stockholm,

however, was an important exception. In that city, as much as ten percent of the housing produced in the 1930s was HSB cooperatives, and the collaborative relationship between HSB and the local authorities of the capital was well-developed.

The fruits of the steady expansion were reaped after the war. Of political importance was the new comprehensive housing policy adopted by the Social Democratic government, which emphasized cooperative and, above all, public rental housing. As a result, the cooperative share of the housing stock increased from 4 to 14 percent in the period from 1945 to 1970, while public rentals went from 6 to 22 percent. The culmination of this remarkable expansion was the Million Programme of 1965-74. Roughly 160,000 of the one million dwellings produced in that period were cooperatives.

Of organizational importance was the internal process of concentration in the 1960s, accomplished through a series of mergers between HSB societies. Today the 60 HSB societies are typically professional organizations with considerable staff and regional scopes covering a vast geographical area.

There are obvious links between the ideological and organizational consolidation before the war and the expansion after the war. The new housing policy was based on a programme formulated by the governmental Commission on Social Housing that had been appointed as early as 1933. As an acknowledgment of the ideological importance of HSB, Sven Wallander, the director of the HSB National Federation, was a member of the commission. Nevertheless, in the proposals of the commission, cooperative housing was assigned a more modest role than the municipal housing companies. The latter were given the primary responsibility for preventing speculation and securing efficient production and management.

Wallander actually supported the priority given to municipal housing; he foresaw a growing market for HSB services from a fast expanding public sector. At the time most municipalities did not have the capacity to handle housing projects, while HSB had developed a strong, almost oversized, professional organization for such purposes. Sure enough, both HSB and Riksbyggen (which was founded in 1940) set up a large number of municipal housing companies in the years after the war. Today, more than 130,000 municipal rentals are still managed by the cooperative organizations—though they are formally under municipal control. Somewhat paradoxically, the emphasis on municipal housing companies in the new policy thus strengthened the cooperative organizations.

In the 1970s, demand for cooperative dwellings declined—as did demand for multi-family housing in general; but in the 1980s cooperatives gained new ground. The combined cooperatives of HSB and Riksbyggen increased their market shares, including single-family housing. Independent cooperatives had played a more limited role in the Million Programme with its emphasis on large-scale industrialized projects, but now they also expanded their market. In the late

1980s, though the yearly production of cooperative housing was still below that of the Million Programme, fast-growing wait-lists and rising second-hand prices gave evidence of booming demand. For example, the number of HSB members on the wait-list for a dwelling increased from 110,000 to 260,000 between 1980 and 1988, which seemed to indicate a new period of cooperative expansion.

The recent recession of the Swedish economy has made it difficult to predict the long-term development of the housing sector. Still, it is hard to imagine any serious threats to the established position of cooperatives on the Swedish housing market.

As we have seen, the market success of housing cooperatives may to some extent be explained by political support. Though officially neutral in the policy arena, both HSB and Riksbyggen have in practice been permanent members of the Social Democratic *Social Housing Coalition*, together with the National Federation of Tenants Associations, the National Organization of Municipal Housing Companies (SABO) and the labour unions of the building and housing sector. (Cf. Gustavsson, 1980, p. 180, who uses the term "Popular Movements' Coalition.")

SBC, the organization of the independent cooperatives, is also officially non-political, though its views on housing issues generally coincide with those of the non-socialist parties. On the whole, the non-socialist parties have not been hostile towards cooperative housing either. For example, the Liberal housing minister of the non-socialist governments in power between 1976 and 1982 initiated steps towards facilitating conversion of rental housing into cooperatives.

Through the years political support has paved the way for institutional entrenchment. In the 1930s, the municipality of Stockholm allotted a major role in the housing provision of the capital to the local HSB society. After World War II, housing cooperatives were given an important role in the new national housing policy, and cooperatives gained ground in most cities and towns.

Of all institutional arrangements in housing, finance is probably the most important. In the early years, HSB and SKB could often get loans from the municipality of Stockholm, on the condition that some of the dwellings were allocated by the municipal authorities. The new housing policy after the war included government engagement in housing finance as a major ingredient. Today tenant-ownership projects, together with owner-occupied and public and private rentals, are included in the formula of "tenure neutrality" that serves as the official guideline for housing finance and taxation in Sweden (cf. Lundquist, 1987: 131-152).

One innovation of importance to the market expansion of the 1980s was initiated completely outside the political sphere. From the mid-eighties, banks and other financial institutions came to accept a tenant-ownership certificate of a TOC dwelling as collateral for long-term loans in much the same way as a

deed for real estate. This change in financial practice undoubtedly contributed a great deal to the soaring prices of cooperative flats (Lundqvist, Elander & Danermark, 1990: 456-457).

Another crucial institutional arrangement is tenure legislation. Here the critical step was the Tenant-Owner Act of 1930, which stipulated tenant-ownership as the normal tenure of housing cooperatives. By strengthening legal control over cooperatives, as well as the position of individual members, the act contributed substantially towards the general credibility of cooperative housing, both in social and economic terms.

To sum up, in the period before the war HSB built up organizational strength and ideological credibility. The activity in Stockholm was of great importance, as was the Tenant-Owner Act of 1930. After the war, housing cooperatives were fully integrated into the new housing policy. From then on, institutional conditions, above all the system of housing finance and the complementary role played by the municipal housing companies, supported market expansion.

In contrast, the cooperative market boom in the late 1980s was not the result of political or institutional change. By then, the cooperative organizations were strong enough to compete successfully on equal terms with both rental and owner-occupied housing. Cooperative housing was already safely embedded in the institutional framework of housing, and this was finally recognized by the new practices of the banks.

The same cannot be said about the "poor relatives," the rental cooperatives. The legal and financial housing institutions have been working against them for decades; their political support has been at best occasional; and their role on the housing market has remained marginal. There is not much to indicate that the present trial legislation could bring about any substantial change in this situation.

## SOCIAL AMBIVALENCE

I will now address my second theme: whether the economic and political success of cooperative housing in Sweden has had a price in terms of the social and democratic aspects of cooperatives. Has the organizational and institutional development had a negative impact on the values that made cooperatives look desirable in the first place? To paraphrase Elster: when there are no longer so few cooperatives, perhaps cooperative ownership is not so desirable either? First, I will discuss the social aspect of cooperative housing, and in the next section I will consider the democratic aspect.

As already indicated, "social housing" is not a well-defined concept, and I will not attempt any strict definition here. My suggestion is that the social aspect of cooperative housing has something to do with an external aim to provide housing for people in general, and particularly for those with limited resources. Such an interpretation seems to coincide fairly well with the use of the



expression “social housing” in the political debate. Sometimes the goals of social housing refer specifically to working-class people, sometimes more generally to “ordinary” households. Another goal, often referred to as social, is to prevent housing speculation.

The social orientation of an organization can be evaluated in terms of its ideology, its practical policies, or the outcome of its activities.

Ideologically, cooperatives may well be advocated from a liberal, a market-socialist or a communitarian world-view (cf. Birchall, 1988, pp. 26-58). In Sweden, however, both the consumer cooperative and the housing cooperative movements have been strongly associated with the Social Democratic party. The expression “social housing” is strongly associated with the comprehensive housing policy adopted by the Social Democrats after World War II. As mentioned, both HSB and Riksbyggen are members of the “Social Housing Coalition,” and they often describe their activities in terms of social housing.

The social aspect undoubtedly was a major motive behind the foundation of HSB in 1923. As mentioned, the aim was to provide shelter at reasonable cost in a speculative market. The founders were Social Democrats and other people with leftist sympathies. HSB soon took on the role of an avant-garde in social housing, and a leftist ideology can be seen behind the numerous HSB initiatives during the inter-war period.

After the war, the social hegemony of the cooperative movement was challenged by the fast-growing municipal housing sector. After all, a personal economic investment was needed to acquire a cooperative dwelling, but not a public rental. However, since HSB and Riksbyggen succeeded in associating themselves ideologically with the new housing policy and organizationally with the municipal housing companies, they could still be regarded as an integral part of social housing.

With rising market prices of cooperative dwellings, the social role has gradually become somewhat thin. HSB and Riksbyggen still seem to be searching for an outspoken ideological profile like the one of the early years. The majority of the leaders and activists are still undoubtedly Social Democrats, and diminishing ideological credibility should certainly be regarded as a major problem by them.

One ideological innovation of recent years is the “cooperative alternative,” introduced in the current debate on privatization of municipal functions, such as day care, home care, recreation facilities, etc. Not surprisingly, the cooperative alternative is presented as the third way, a solution to the economic and ideological problems of local municipalities that would not give free rein to the market forces. Thus, there are signs of the formerly avant-gardist cooperative movement turning into an *arrière-garde* cover for the retreat of the municipalities!

HSB's policy during its first two decades had several socially-oriented ingredients, including the socio-technical innovations mentioned earlier. More importantly, building tenant-ownership houses for ordinary households at a time when the legal rights of tenants were still weak, may well be regarded as a social contribution in itself.

However, in action if not in word, the changes in post-war national housing policy meant that the role of HSB as the nucleus of social housing was taken over by the municipal housing companies. The most obvious indication of that development was the new transfer principles adopted by the cooperative organizations.

There are three largely social reasons why a cooperative organization may have an interest in controlling the transfers of its dwellings. First, it may wish to determine who is to be the buyer, in order to distribute dwellings internally to wait-listed members. Second, it may wish to distribute vacant dwellings externally to households considered to be in urgent social need. Third, it may wish to control the price in order to avoid speculation with cooperative dwellings.

For more than forty years, HSB maintained a system of transfer and price control. Transfers went via the HSB society, and prices were based on initial payments and amortizations. In the 1950s, with growing demand and inflation, these principles met with criticism from an increasing number of members. HSB leaders managed to resist until 1969, when market transfers were finally allowed. By then Riksbyggen had already made the same decision. A moralistic relic of the price control survived until 1973: individual sellers and buyers were informed of the HSB recommendation on transfer prices based on initial payments—and then they were allowed to agree on market terms!

The fast-rising prices of the 1980s effectively priced low-income households out of the cooperative market, especially in central parts of Stockholm and other big cities. The question of transfer control once again reached the cooperative agenda, and different checks were discussed and sometimes tested by HSB and Riksbyggen. Essentially, however, the principle of market prices survived.

Lately, in keeping with market expansion, HSB and Riksbyggen have initiated projects in specialized fields like housing for older people, housing for young households, service centres, tourist and recreation facilities, etc. Such initiatives may indicate an ongoing redefinition of the role of cooperatives in society, but to label them "social housing" would certainly be to stretch the definition of an already blurred concept.

Is Swedish cooperative housing social in terms of outcome? The Tenants' Association of Stockholm once initiated HSB to help solve the housing problems of the working class. However, as regards membership, HSB has never really been a working class organization. Even in the 1920s and 1930s, fewer than half of the members were workers and craftsmen. In the beginning of the

1970s, HSB representatives characterized the member structure as a social and political reflection of the Swedish population. A survey from 1970 indicates that the mean income of HSB members was somewhat higher than the national average (Gustafson, 1974, pp. 24-25, 56-60). A similar picture is given by census data from 1985 on household incomes in different tenures. The proportion of immigrant households (12 percent) in cooperative dwellings does correspond to the national average. (See Bengtsson, 1992, for details and references on the member and household structure of housing cooperatives.)

The socio-economic impact of the cooperative market boom of the late 1980s has not yet been registered in official statistics. In all probability, the recent developments have increased the middle-class character of the cooperative household structure even more.

Lundqvist, Elander & Danermark (1990: 462) even argue that the development in the 1980s no longer makes it appropriate to view Sweden's cooperative housing as the social tenure it was originally conceived to be. They regard tenant-ownership as a commodified tenure, similar to the traditionally privatized tenure of owner-occupancy. Keeping in mind the low precision of the concept of social housing, I would prefer not to state the conclusion in such absolute terms, but there is certainly no doubt about the tendency. The social aspect of cooperative housing has been gradually eroded, not only in the last decade, but in the whole post-war period.

### DEMOCRACY AS SMALL-SCALE ELITISM

Democratic control is one of the cooperative principles adopted by the International Cooperative Alliance. Democracy is a word of many meanings, and normative discussions on democracy often focus on the contrasting ideal types of participatory and competitive democracy, associated with Mills and Schumpeter respectively. Cooperative democratic ideals are usually formulated in participatory terms; the small scale is said to create positive conditions for participation.

The formal organization of a Swedish TOC combines the principles of direct and representative democracy. All members have the right to take part in decision-making at the general meeting, where members of the board are also elected. Between meetings the board is responsible for the affairs of the TOC, and is free to make most decisions concerning the management without consulting the members. For example, the Tenant-Owner Act explicitly prescribes that changes in the rent level must be decided by the board.

Empirical data on the internal cooperative democracy of the TOCs are scarce and often of limited validity (see Bengtsson, 1992, for details and references). Members' participation in the TOCs of HSB has been studied on four occasions between 1958 and 1983. The average participation at general meetings has varied between 20 and 30 percent through the years. A

similar study from 1979 of Riksbyggen TOCs found an attendance rate that was one or two percent lower than in HSB.

Participation varies considerably with the size of the TOCs. The smaller the TOC, the higher the attendance rate. There is also a tendency towards higher participation during the first few years after the founding of a new TOC. In contrast, forms of participation other than meetings (e.g., educational courses, member sheets, excursions, festivities, etc.) are more often found in the larger TOCs.

Even though a fairly large number of people go to meetings, they seem to be rather passive once there. In only about one fourth of the TOCs of HSB did any members exercise their democratic privilege to submit a motion to the general meeting. According to the Riksbyggen study there were discussions at 68 percent of the annual meetings, which means that one-third of all meetings were carried through without any discussion whatsoever! Votes were taken at 16 percent of the meetings and seldom more than once or twice.

In 1984 some 30,000 HSB members, or about ten percent of all members, were on the board of their TOC or held other elected posts in the organization. In 1980 the corresponding percentage for Riksbyggen was about six percent. As in many similar organizations, the dominance of middle-aged males is striking.

One may ask how highly the democratic aspect is valued by TOC members themselves. In a study of Riksbyggen members only ten percent of the respondents gave "possibility of influence on housing conditions" as a main reason for having chosen a cooperative dwelling. There were larger percentages who chose to move in because of the "quiet surroundings without social problems" or who reported "no possibility of getting a rental."

How well do these—often uncertain—results stand up against the ideals of participatory democracy? Do TOCs fulfill the cooperative goal of democratic control? At least in a Swedish context, a participation of 20-30 percent at general meetings is indeed quite high. Typically, both tenants' meetings in the rental sector and general meetings of cooperative and non-cooperative associations in other sectors have a much lower attendance. Since a considerable share of the members also hold elected posts and take part in educational courses on housing and cooperatives, the TOCs would seem to function well as the schools in democracy and public spirit that are often advocated by participatory democrats.

On the other hand, the majority of the members do not take part in the democratic decision-making. And those who do attend meetings are often silent. The dominance of middle-aged men on the boards also casts some doubt on the representativeness of the elected members. The principle of electing only half the board each year and the common practice to have special election committees nominate candidates may result in an extremely high degree of stability—and conservatism—in the representation (cf. Liedholm 1988: 21-24). Furthermore, there is seldom more than one candidate for each post.

From a participatory viewpoint the high percentage of non-participants and the lop-sided representation are of course unsatisfactory. On the other hand Schumpeter and other theorists of the "elitist" or "competitive" model of democracy contend that a certain degree of apathy among ordinary citizens should be regarded as a sign of health. Since many of the decisions taken by the board of a TOC are quite uncontroversial, the elitist stance may in fact be more relevant here than in a nation-state. But then, cooperative democrats are seldom elitist democrats.

One reason for the seemingly low democratic activity within the TOCs may be their limited scope of decision-making. Both the mother organization and the individual tenant-owners hold formal and informal veto-powers that put important constraints on the collective action of the TOCs.

These are normal problems of any democracy. The scope of democratic decision-making in a nation-state can be limited by the influence exercised by other nations or by strong domestic groups like capital owners. It can also be limited by rights held by individual citizens. Nevertheless, these limitations seem to be unusually strong in cooperative housing. Most important in that context is the relation between the attached TOCs and their mother organizations.

In principle, a TOC has full responsibility for its own affairs. Formally and in practice, however, the mother organization has considerable influence on the attached TOCs. First of all, the mother organization controls the planning, building and initial management of a new TOC. Not until the long-term financing of the project is settled do tenant-owners take over formal responsibility, and even then the mother organization retains considerable formal and informal control (all deviations from the prescribed model statutes must be approved by the mother organization, which also appoints one member of the board of the TOC). Of crucial importance are the packages of "coordinated housing management" offered by the mother organizations. In practice the TOCs are often left with the choice between either buying those well-defined packages or taking care of the management by themselves.

A study of housing democracy in Denmark, Norway, Sweden and Finland compared the formal and actual influence on certain types of decisions. Among the organizations studied were the TOCs of HSB and Riksbyggen. Swedish TOCs were found to have a relatively strong formal influence on decisions concerning their own estates. In reality, however, the scope of decision-making was often severely limited by economic, technical and legal restrictions. Prior decisions made by the mother organization often had similar effects. Even when the board of the TOC made the formal decisions, the greater resources in time, experience and expert knowledge of the professional organization often put the TOCs at a disadvantage. One example of this was the fact that a detailed proposal for the budget of the TOCs was regularly prepared by the mother organization (Cronberg, 1986).

The independent TOCs have the same internal democratic organization as the attached ones, but there is no counterpart to the role played by the mother organization of the attached TOCs. Services corresponding to those offered by HSB and Riksbyggen are often supplied by SBC or by private estate management firms, but without the same formal organizational strings. Unfortunately no studies have been made of members' participation in independent TOCs.

Though members' participation certainly falls short of stern communitarian ideals, TOCs come out much better when compared to other existing organizations. Still, even in such a real-life comparison, two major problems remain. One is the low representation of women and young households. The other is the limited scope of decision-making.

Actually, the two problems may well be two sides of the same coin. Since in reality much of the decision-making of the attached TOCs has the form of negotiations with the mother organization, the election of the board may in reality be regarded as a selection of negotiators and middlemen. It is possible that middle-aged men are considered more able than young women to speak the technical and economic language of professional managers. Perhaps they also have better reputations for negotiative "sitzfleisch"!

### CONCLUSIONS—NOT THE MIDDLE WAY BUT BOTH WAYS

Thus, we are left with doubts about the social and—to a somewhat lesser extent—the democratic aspects of cooperative housing in Sweden. While the rhetoric of cooperative leaders still emphasizes the ideology of social housing, the actual policy and the market outcome seem to favour the interest of the middle classes. While the democratic participation was found to be comparatively high, it was lop-sided and of low intensity.

There is much to indicate that this social and democratic ambiguity is the price paid for economic prosperity. Ideological credibility and political support were certainly important in establishing a viable organization and creating a favourable institutional environment. But once the organization was consolidated, the main forces behind the economic success have undoubtedly been financial solidity, an efficient professional organization and strong individual market incentives.

The conflicts between social, democratic and economic goals is to some extent reflected in the relative influence of the different organizational levels of cooperative housing. The actions of the primary cooperative, the TOC, are constrained by the powers of both the individual tenant-owners and the professional organization. The scope of cooperative and democratic decision-making is squeezed between pressure by individual members for personal gains and pressure by professional managers for technical efficiency. With the professionalization of the local organizations, the main responsibility for the

social aspect of cooperative housing has been taken over by the national organizations. But their influence on lower levels is limited, at least in social issues. The main power base on the HSB National Federation is the savings bank, and banks are seldom useful tools for enhancing social responsibility.

The independent TOCs differ from the attached in certain important respects. The absence of a strong mother organization should make the formal scope of decision-making larger, but of course other factors also affect the level of participation. The forces supporting the social aspect of cooperative housing should be even weaker than in the attached cooperatives. However, since independent TOCs, and certainly their organization SBC, do not claim to represent social housing, it is dubious whether the external arguments for cooperative housing are really of any relevance to them.

The development of cooperative housing in Sweden could be summarized in relation to the other main tenures: private rentals, public rentals and owner-occupancy. Politically and on the market, cooperatives have had important competitive advantages over all three alternatives.

Politically, cooperatives together with municipal housing companies have enjoyed the support associated with social housing. In reality, however, the burden of providing shelter for people of lesser means or with social problems has been carried almost completely by the municipal housing companies.

On the market, cooperatives together with owner-occupancy give households an opportunity to invest personal savings in housing and make a profit when moving. Owner-occupancy in multi-family housing is prohibited by law, so in this section of the market, cooperatives meet with no real competition. In times of housing shortage, buying a tenant-ownership second-hand is the only legal way for well-off people to pass the queues for inner-city dwellings, which certainly adds to the erosion of the social aspect.

As mentioned in the introduction, cooperatives are often discussed as a third or middle way between two traditional solutions, be they state and market, public and private, or collectivism and individualism. On closer examination this notion is far from unambiguous. In one version cooperatives are seen as a compromise. Thus, Kemeny (1981: 53) regards the cooperative tenure as a compromise between owning and renting, while Clapham & Kintrea (1987: 164) claim that the cooperative tenure can vary along a continuum from individualist to collectivist, resembling, at one pole, social rented housing and, at the other, owner-occupancy. Pestoff (1991: vii, 190-195), who does not confine his discussion to housing, also considers cooperatives a third way, an alternative to the "...mutual exclusivity of a simplistic markets vs. politics perspective." However, he concludes that it is not likely—nor desirable—that cooperatives will ever succeed in creating a synthesis between the two forces, going beyond market and politics.

But a third way does not have to be a middle way. Silver (1989) criticizes what she calls the "Social Democratic" model of housing cooperatives as a compromise between extremes. Instead she argues that cooperative housing should be understood in communitarian terms, involving parochial, particularist, and face-to-face relations. Thus, cooperatives should be analyzed not in a state vs. market perspective, but by means of sociological terms such as human agency and the sphere of civil society.

How can Swedish cooperative housing be understood against the background of these notions of cooperatives as a third way? First, it is difficult to interpret the development of large-scale professional organizations, supported by legal and financial institutions, in Silver's communitarian perspective. The only point of contact is the ideal of participatory democracy, and even that is not fulfilled to any great extent.

Since it would certainly be far-fetched to claim that Swedish cooperative housing has reached a synthesis beyond market and politics, we are left with the compromise version of the third way. Can the success of Swedish cooperative housing be explained as the result of an optimal balance between state and market?

It might appear that way. But the history of Swedish cooperative housing suggests that it has actually reached its present position not by finding a third way of compromise, but rather by walking firmly along both the traditional ways, at times being more social than public housing, at times being more commercial than owner-occupancy. The cooperative organizations have skillfully managed to proceed simultaneously—or rather alternately—on the roads of state welfarism and market egoism. The price paid in terms of the social and democratic aspects of cooperative housing can also be regarded as part of this ambivalence.

From his notion of cooperatives as a compromise between owning and renting, Kemeny has suggested what might be called "the supplementary theory of housing cooperation." He argues that the cooperative tenure reflects the emphasis on dwelling type and life-style associated with the dominant tenure of a society. According to Kemeny, this thesis is supported by the differences between the large-scale Swedish housing cooperatives, mainly in multi-family houses, and the Australian small-scale cooperatives consisting of single-family houses (Kemeny, 1981: 53-55).

The history of cooperative housing in Sweden, however, does not fully support Kemeny's thesis. Before the war, when the housing market was totally dominated by private rentals, HSB based its expansion on its role as an avant-garde in social housing. After the war, when the new housing policy was initiated, HSB and Riksbyggen could for some time take advantage of their early start. When the municipal housing companies were ready to take over as the



dominant social housing organizations, cooperative housing did not confine itself to a supplementary role. Instead an expanding niche could be based on the cooperative monopoly on the market for non-regulated multi-family housing (as a complement and not a supplement to other tenures).

Hence, the Swedish experience suggests that Kemeny's supplementary theory needs to be complemented—if not supplemented!—with a “complementary theory of housing cooperation.” Such a theory would imply that cooperative housing thrives where competition from other tenures is low, and that it complements them by appealing to under-served market segments. Of course, both the supplementary and the complementary theory are really derived from the same empirical fact: the indefinite and often flexible character of the cooperative tenure.

### THE SWEDISH EXPERIENCE AND THE PARADOX OF COOPERATIVE HOUSING

Can the political and economic success story of Swedish housing cooperatives help us solve the paradox of cooperative housing? Does the Swedish experience give any clues to necessary and sufficient conditions for establishing and maintaining a central role for cooperative housing? Can we even identify the historical threshold between marginality and integration?

Among the conditions that have favoured cooperative housing in Sweden, I have stressed the importance of the institutional environment, in particular tenure legislation, housing finance and market environment. Political support gave cooperative housing its breakthrough after the war, while the main burdens of social housing were placed on the municipal housing companies. The absence of owner-occupancy in multi-family housing fueled the market boom of the 1980s. The legal status of the tenure of tenant-ownership served as the institutional link between the state, the market and the housing cooperatives.

But the institutional conditions did not come out of nowhere. The consistent development of social credibility, professional efficiency and solid finances by the cooperative organizations themselves contributed substantially towards the favourable environment. The development is probably best described as mutually reinforcing processes of internal organizational consolidation and external institutional integration.

This means, unfortunately, that we cannot say much about necessary and sufficient conditions. There have simply been too many interacting conditions to make it possible to point to one or two as crucial. Indeed, the complex relationships between actors and institutions indicate that we should really not hope to find simple answers in terms of necessary and sufficient conditions, but rather look for favourable and unfavourable political and institutional mechanisms. At least, we are not compelled to settle for explanations in terms of a particular “culture of cooperation.”

In one respect the study of the unique Swedish case has contributed to the solution of the paradox of cooperative housing. The cooperative problems were not fundamental, but transitional. After fifty years of outright cooperative failure, a species fit for survival and reproduction finally emerged. And only after fifty more years of consistent organizational and institutional design, the transitional problems seemed definitively solved.

However, the complex interaction between several internal and external conditions makes it impossible to point out one single critical threshold between failure and success. Perhaps a better metaphor would be that of a ladder of cooperative success, with a number of crucial steps, each of a different nature.

The paradox of cooperative housing can probably not be solved without comparative historical research on the interaction between the cooperative organizations and their environment. Such comparative research should scrutinize closely both successful and unsuccessful attempts to strengthen cooperative organizations and create supporting institutions. It should emphasize the relationship between the acts of cooperative and political players and the institutional settings, including the housing market. And it should not leave out the issue of trade-offs between the various goals and aspects of cooperative housing. After all, we must remember that cooperative housing is an indefinite concept and a flexible phenomenon.

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