



## **Federation of Housing Collectives**

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## **Advantages and disadvantages of housing co-operatives**

There are both advantages and disadvantages connected with housing cooperatives. These are well documented in the international research and literature about housing cooperatives.

### ***Advantages***

#### **Provides people on low to moderate incomes with the opportunity for secure housing**

Housing co-operatives can help people on lower incomes achieve ownership of their own home.

#### **Value for money**

Co-operatives have the opportunity to keep economic benefits within a community. Members can get more value for money and can build better quality and larger houses. Housing cooperatives can negotiate cheaper prices for land and with builders through bulk buying. The members can also participate voluntarily in the process, including planning, construction, and maintenance.

#### **Can limit re-sale value to retain affordability**

Housing co-operatives have the possibility to restrict the profit members can make when they sell their share. This discourages members viewing co-operatives as a speculative investment.

#### **Promote Democracy**

The members are expected to be involved through the whole process and take all the decisions regarding their own future. Co-operatives give low to moderate income people with the opportunity to take part in the process of establishing and managing their housing cooperative. What people learn about democracy within the housing co-operative can be used in other areas of their lives and in that way the democracy concept can spread.

**FOHCOL** facilitates the development and sustainability of Housing Co-operatives in Western Australia according to the International Principles of Cooperation. [Incorporated since 1987]

### **Educate members**

Since it is the members that take all the decisions, it is important that they learn about the process and about co-operatives. This can be done through informal or formal processes such as workshops where the members learn to practice democratic principles and get to know each other.

### **Create a quality environment**

Due to the fact that the members collectively own the common space they can invest more into it and create a quality environment.

### **Sense of community**

A sense of community makes it easier for the individual to improve his/her life. The co-operative can together address broader concerns such as childcare, employment creation, recreation, and safety.

## ***Disadvantages***

### **Time and money to get people involved**

Due to the fact that the concept is not well known, it takes a long time to make everyone understand the process.

Money has to be spent on teaching future members about the concept of housing cooperatives.

### **Member commitment**

The success of a housing cooperative is dependent on the input from the members. If they do not participate it can lead to undemocratic decisions. In the long run this can lead to discontented members, mistrust, and in worst case, the co-operative may not be financially viable.

### **Collateral**

Securing a loan for the cooperative as a single entity or for members to borrow to move into a cooperative is very difficult under current Australian banking practices. This can in part be attributed to a limited knowledge of the housing cooperative model.

Well led, effectively managed, and adequately financed housing cooperatives with committed members maximize the advantages of housing cooperatives have the best chance of growing into viable and stable cooperatives that are able to create the many benefits for members.

**Please note** – some of this material has been assembled from work provided freely by other co-operative ventures working for the benefit of all. We gratefully acknowledge their combined support.

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