

A reply to "Right Sizing Democratic Control" from "Opening the Windows". An article on how to organize the governance of social housing. I opened the window up a little further about the ways and objectives of social housing governance.

Below is the original article. Below that, my reply. The "Opening the Windows" site is at <http://openingthewindow.com> URLs on this page are not links. Copy and paste to your browser.

Right-sizing democratic control SEPTEMBER 13, 2011

by Joy Connelly

On June 11, 2010 I caught a glimpse of one of the most forward-looking new ideas to hit the housing world in years.

The occasion was the Co-operative Housing Federation of Canada's Annual General Meeting. The event: a webcast of Getting Scale Right in the Co-op Housing Sector. The presenters: Nicholas Gazzard, Executive Director of CHF Canada and Thom Armstrong, Executive Director of CHF – BC.

Nicholas and Thom asked the questions that have been on my mind for a long time. Are Canada's housing co-ops the right size to give them the best chance for success in the coming years? And can co-ops harness the power of scale to better achieve their objectives?

As I mentioned in last week's blog, Toronto's housing co-ops are large by Canadian standards. Half of Canada's co-ops have fewer than 25 units, and 90% have fewer than 100 units. Yet even with an average size of 110 units, Toronto co-ops are often challenged to find board members both qualified and willing to oversee the management of a multi-million dollar asset, or to afford the mix of financial, property management and community development expertise they need to stay healthy.

An elegant solution

Nicholas and Thom introduced an idea that, in one elegant swoop, could address these problems and strengthen the qualities that make co-ops special: resident control, strong tight-knit communities and a

faithfulness to co-op principles.

On the webcast we heard from Karen Walker, President and John McInerney, Managing Director, of Common Equity Housing Limited (CEHL) in Melbourne Australia. CEHL is a not-for-profit corporation formed to support and facilitate co-op housing. It is owned by its 105 member housing co-ops, who together hold all voting rights and elect members to CEHL's Board of Directors.

Like Canadian co-ops, each of CEHL's member co-ops is an independent corporation that elects a board of directors from among its residents. Each has its own mission statement, selects its own members and sets its own budget. But it does not own its own property. It leases it from CEHL.

CEHL owns the over 2000 dwellings occupied by its member co-ops and manages them as a portfolio. As the owner, it is responsible for all asset management, drawing on a staff of 40 in three divisions: Co-op Development and Support; Asset Management and Property; and Finance and Administration. CEHL conducts a capital plan for each co-op every three years and is responsible for all capital repairs and improvements.

It is also responsible for relationships with government funders and private lenders. It is CEHL that reports to government, rolls up information provided by its co-op members, and negotiates with banks and insurance companies.

The member co-ops, on the other hand, are responsible for day-to-day management: collecting rents, member relations, cyclical maintenance and adhering to funding

program rules. Under their lease agreement, the co-op retains a portion of the rents it collects to perform these responsibilities; the rest is paid to CEHL.

Do you see why I'm so excited about this approach?

First, it builds on the true expertise co-op members bring. It's a rare co-op member who is an expert in building science or investments. But all co-op members know their community.

This approach keeps the decisions that most affect members – the issues that, in my experience, attract the most discussion at co-op meetings – at the local level where they belong. And it shifts the liability of high-stakes asset decisions to those who have the expertise to assume responsibility for them. As Karen Walker, the President of CEHL and a co-op member said, "Having the company is liberating. We can get on with doing the stuff we like to do."

Second, it pools resources to attract professional talent. Many co-ops can afford only one staff person. That's a problem for the co-op: as talented as co-op managers are, there are few individuals who have all the skills a co-op needs. It can also be a problem for staff: the one-person office can isolate co-op managers and leave them vulnerable to boards with little experience as employers. In CEHL, co-ops can benefit from a team of experts, and staff can enjoy the salaries, benefits, colleagues and professional atmosphere that befits their abilities.

Third, CEHL's approach has strengthened co-op housing's relationship with the government and private lenders. CEHL's size,

professionalism, and quality reporting gives banks and government confidence their investments are secure. They also ensure the stock will remain under the stewardship of the co-op sector and won't fall into private ownership.

Finally, it allows the co-op sector to grow. The renewed confidence of government and private lenders, along with CEHL's ability to leverage its pooled assets, has led to unprecedented development. At the time of the webcast CEHL had 300 new co-op units under construction and was negotiating bank loans to construct a further 250.

The CEHL model is also catching on in other parts of Australia. In 2009, 38 New South Wales co-ops had voted to come together, and in South Australia another 14 co-ops have voted to do the same.

Would this approach work in Canada?

During the webcast, Nicholas and Thom did not call on Canadian co-ops to adopt CEHL's

model. Their aim was only to offer food for thought.

But I must say this model certainly captured my imagination. I saw in it the potential to revitalize not only the co-op housing sector, but the entire concept of democratic resident control.

CEHL's John McInerney said it best:

"There's this myth that evolved that people couldn't be trusted to manage their own affairs. We tackled this head on.

"Co-operatives can set up their own self-regulation system, and convince government that, yes, it is for the long-term . . . Our tenant outcomes far surpass any other form of social housing here in Australia. That is unequivocal and no-one denies that."

My Response

SEPT 14, 2011

Hooray! Somebody in Toronto finally gets it! Almost.

I have been saying this for a long time. People just have to look at what is going on in other countries. Where something like this is allowed to get established, it is the ideal way of governing low income housing if the residents are socially adjusted but do not

want ownership or cannot acquire equity.

But while this is good governance, it does not get anything built directly. However, the best way to get low income housing built again is to show that you have effective systems of governance which are not going to produce more instant slums. You need three types of housing to meet the needs of

various types of low income people; supervised, cooperative, and assisted ownership.

You will have people who have to be in some form of supervised or assisted setting due to age, disabilities, or behavioral problems. Most people would prefer to own their own homes if they could, and it is best if they were able to. But some low income folks will not want to own or cannot afford to, or cannot afford to yet.

But non ownership cooperatives, also called non equity coops, and ownership or equity coops or "self housing", all need a governance system. One building or one complex on its own is not really viable. But if the governance unit is too big, it also becomes unmanageable; bureaucratic and impersonal.

In any one building you want no fewer than 40 units and no more than 150. This is basic sociology; you want everyone to know everyone else but not to be too ingrown. But one building does not have the wherewithal to maintain itself so it needs to be in a federation with other buildings. This is the problem.

In the U.K., when the Tenant Management Organizations got going, the conservative and labor governments both went along with it, grudgingly at first. There was support from government to set up regional associations or sometimes alternative housing federations, which could fill the function of the CEHL described in the article. It is almost miraculous that this system got going, given the virulent opposition to it from the local councils in the U.K.

The local councils usually owned the social housing that got turned into what are called in Canada "coops". Often these councils were dominated by ideological leftists who wanted the "social engineer" approach to housing to continue. This approach had been disastrous and degrading to residents of the housing, and unfortunately largely imitated in Canada.

In Canada we are also stuck between the ideological left and right. The former wants to continue to run the messes we have now. The latter wants to sell it all off. The Thatcher government tried to "sell it all off" in the U.K., and found there were few buyers for most of it. So it started letting the tenants run it and that is how the TMO system got going in the U.K.

There will be huge resistance to building any more "social housing" on the model we have now, and rightly so. They are disasters. You never want to have a community where everyone is just waiting to go somewhere else. You never want to have one where everyone is poor. And for sure you cannot have one where social engineers want to "improve" everybody while using the place as a dump ground for every destructive social misfit they think has to be "housed".

So, tenant self management is a better answer. But what happened to the cooperative movement anyway? In a previous article, this "opening the window" blog alluded to some of its problems. There is the equity problem, where people do not have money to "buy into" a coop. A "non-equity" coop is dependent on the local government for funding and quickly degenerates into social housing.

But there is another problem with the model of cooperative housing used in Canada. It is subsidized by government, but the coop gets to own the land under it. This means that over time members of the coop make a nice capital gain from formerly public land. This stupidity helps to destroy support for low income housing.

However, the worst problem with cooperatives is the bullshit politics that goes on in them. We have in Canada and especially in Toronto a problem of hyperpartisanship. As in; you don't get to join our coop unless you are a lesbian anarchist racialized single-mother sex worker. And if you do not want to quit your job and work full time for the Martian Maoist party in the next election, we are going to harass you out of the place.

Of course I exaggerate somewhat but you get the idea. This is what makes me pessimistic about getting any kind of housing federation going in Canada. If there is one thing that you want to be apolitical, it is your housing.

Further on housing coops in Canada and Australia, some years back I corresponded with someone from Tasmania who I happened to encounter on the net. He wanted to know more about housing coops in Canada and I did not have much to tell him. I directed him to the web pages of the Canadian Cooperative Housing Federation.

He thought the lack of any substance to it indicated something badly wrong with that organization. I was inclined to agree. The web site is a little better than it was, but not much.

I know what the problem has been, much

more than this equity problem for coops. The movement has simply been taken over by the usual types of social agency apparatchiks. I know one situation where a clique chased everybody else out of a cooperative so they could bring their friends in, and they had the support of the Ontario coop organization. I lived across the street when all this was going on. I am sure this was not a one off occurrence.

Now, consider assisted ownership. The co-housing movement and "Habitat for Humanity" eschew any government support but can teach things about how to build and run new housing. Most people with limited incomes really want and need to own their own homes.

They also don't want to be bothered with political and bureaucratic nonsense. Yet it would be impossible to build much housing that low income people could afford to own without government finance and legislative support and without administrative support of specialists.

I think somebody needs to get a pilot project built somewhere. I did some figuring about such a thing a few years ago. I think most of what I thought of then is still valid. People would buy the homes with no money down but would have to sign a mortgage-like arrangement where they bought the unit, but not the land, over 20 years. If they defaulted through their own failing they lost what they put in. Below are links to my assisted ownership stuff.

What struck me as I thought about this was that the best way to make all this work would be interest-free loans. This is why housing is so unaffordable; that old demon, compound

interest rates. Once upon a time, the Bank of Canada provided local governments with zero interest money. That is how most of the infrastructure we have now got built. And the refusal of government to provide it over the past thirty years is why nothing much has been built in that time.

Another thing that would boost assisted ownership housing would be land on some sort of lease hold for one dollar a year. This would eliminate the problem of unjust enrichment. It would be easier for subordinate levels of government to swing, as would tax breaks. So, there are possible solutions to the equity problem.

However, I think the governance problem will be almost impossible to overcome in the present situation. You will notice that most of local politics in Toronto has become a power fight between political parties. "If we can't control it, it ain't gonna happen". So nothing happens.

This is an environment in which democratic control will get quickly stomped out unless it has a very powerful and hard headed protector. Where is that going to come from? I think it will come when we have a more democratic society generally and my crystal ball is a little fuzzy about when that will be. And that is as far as I can go with my take on self managed housing and the prospects of getting self managed low income housing

built. Allowing tenants or owner occupants to manage their own housing and thus their own lives means a federated system, a multilevel system, but based on housing units small enough so that people know each other. For this to work, people who want control must be got out of the way.

Even if it works well, it will not create any new housing. It may make it easier to get the public support needed to get the money to get new housing built.

I find this "opening the windows" project interesting. It is something I would like to do but do not have the time or resources. We will see if the person responsible for it is open to my views.

<http://www.poverty-activist-toronto.ca/racoon/4-7-07.html>

<http://www.poverty-activist-toronto.ca/racoon/7-22-07.html>

<http://www.poverty-activist-toronto.ca/racoon/8-8-07.html>