



A GUIDE TO STARTING
**Cooperative
Housing in
Manitoba**



*The Pride of Ownership
The Power of Partnership*

The Cooperative
Promotion Board





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Introduction

This guide is designed for anyone who is thinking of getting involved in cooperative housing in Manitoba, whether as a resident member, housing co-op developer, supporter or community partner. It describes the different types of housing co-ops, how they are managed and governed, and what to expect if you decide to join or start a housing co-op.

Many Manitobans have discovered that co-op housing allows them to achieve a quality of life they could not afford on their own. They enjoy the pride and perks of ownership, and the strong sense of accomplishment that comes from living and working together to build a successful community, aligned with their personal values. Options also allow housing co-op members to build personal equity as the value of their property grows.

Because of changes to *The Cooperatives Act* in Manitoba, the co-op housing model is attracting the interest of a wider range of individuals and organizations than ever before.

As municipalities and public service organizations are learning, co-op housing can be an innovative way to meet local housing needs as their communities change and grow. Today many different types of partners can get involved, in addition to the residents themselves. New ownership options also allow housing co-ops to draw on a wider pool of support and expertise.

While becoming a member of a co-op can be rewarding, it also has unique responsibilities. Members must be prepared to take responsibility for their homes, work out problems with their neighbours, share resources and sometimes make difficult decisions as a team.

For co-op housing to be successful, it's important that everyone involved understands what to expect. The aim of this guide is to help Manitobans make informed decisions as they explore the co-op housing model.

SECTION 1

About Housing Cooperatives

- Cooperatives Defined
- Advantages of Housing Cooperatives
- How Housing Cooperatives Are Structured
- How Housing Cooperatives Operate
- Types of Housing Cooperatives



Cooperatives Defined

A cooperative is an enterprise formed by a group of people who decide to work together toward a goal they all share. Housing co-ops are jointly owned and democratically controlled by their members.

Housing co-ops are just one kind of cooperative. People may form and join co-ops to meet any sort of need, or to buy and sell any kind of product or service. Members come from all walks of life and all income levels.

Any three or more adults who are not bankrupt can create a housing co-op.

SEVEN PRINCIPLES OF CO-OPS

- **Voluntary and open membership**
- **Democratic member control**
- **Member economic participation**
- **Autonomy and independence**
- **Education, training and information**
- **Cooperation among cooperatives**
- **Concern for community**

Advantages of Cooperative Housing

Co-op housing is a way to experience many personal and financial benefits.

Working with others who share their priorities, member-owners can define the values they want to support and create the type of housing community that works best for them. Together, they can share both the risks and rewards of ownership.

Housing co-ops can range from affordable to luxury properties.

THE PRIDE OF OWNERSHIP

If you choose to become a housing co-op member, you invest money into the co-op and own a share of the cooperative. Ownership gives you certain rights and responsibilities.

You have a voice in how the housing co-op is run

Members elect a board of directors to run the housing co-op. Together, the board of directors and members make decisions about how the housing co-op will operate – such as how much members will pay in monthly charges and how repairs and upkeep will be handled.

Members can choose the type of co-op that is right for them

There are two types of housing co-ops in Manitoba: non-profit co-ops and equity or for-profit co-ops. In non-profit housing co-ops, any profits are re-invested back into the cooperative itself, and the membership jointly decides how the profits are spent.

In for-profit housing co-ops, individual members can sell their shares at market value when they leave the co-op. In this way, individuals can benefit from increases in the market value, just as homeowners benefit from increased equity when they sell their homes.



THE POWER OF PARTNERSHIP

When people join forces, they can achieve things that may not be possible on their own.

The cost of entry can be low

It can cost much less to buy a share in a housing co-op than to buy or rent a house or a condominium.

People can often buy in with modest savings and limited income – sometimes for as little as what they would pay for a damage deposit on a rental property. If people prefer luxury accommodations, they can form more expensive housing co-op properties.

Ongoing costs are reduced

Economies of scale are possible, and members can opt to handle some of the maintenance themselves as a way of keeping costs in check.

Everyone shares the risks and responsibilities

Housing co-ops can effectively spread operational costs among members. Members establish a reserve fund to cover costs for maintenance and repairs. They can also pool their talents and knowledge to ensure the housing co-op is well-run and well-maintained.

Shared services are easier to arrange

A housing co-op may be a convenient mechanism to organize all sorts of community services – like child care, community gardens, vehicle sharing, lawn maintenance, visits by nurses, composting, baking, and buying and cooking in bulk. Joint purchasing allows members to purchase a wide variety of products and services at a better cost. Members establish policies that suit their cooperative.

Opportunities for personal growth

Co-op living is a natural opportunity to form friendships and pursue common interests with like-minded people. People of all ages and backgrounds have developed new talents and leadership skills by getting involved with co-op communities. Housing co-ops are as strong and cohesive as their membership.

How Housing Cooperatives Are Structured

A housing co-op is 100% owned by its members. The housing co-op is the legal owner of the housing stock and is responsible for all financial obligations. Members buy shares in the housing co-op, which gives them the right to live at the co-op.

MEMBER-OWNERS

Have the right to occupy a property

Co-op properties may have the style of an apartment or condominium, or be freestanding single homes. When members join a housing co-op, they don't actually buy the apartment or house they live in, as they would if they purchased property. Instead, they own the right to occupy a dwelling.

Member loans

Member loans are another mechanism that can be used to bring equity into a housing co-op. A housing co-op member can choose to loan funds to the co-op for renovations, expansion or other purposes, with specific terms for repayment.

Lease agreement

Every member-owner signs a lease or occupancy agreement. It details the rights and responsibilities of residents, as well as membership conditions and obligations the member-owner must meet.

Every member has a voice in how the housing co-op is run

Members can:

- Vote on important issues
- Vote to elect members of the board of directors
- Run for the board themselves

Every member has one vote, no matter how many shares they own or how much they pay. No member holds more voting rights than any other member.

Members can include other supporters

The member-owners are usually the residents, but a housing co-op can also include other supporters who purchase shares but do not live in the housing co-op. Cooperatives with more than one stakeholder group are called multi-stakeholder cooperatives. For more information, see page 14.

THE COOPERATIVE

Legal owner of the housing property

The cooperative is usually the legal owner or leaser of all land, dwellings and common areas. The board of directors guides the housing co-op in its day-to-day affairs. It may own the housing property or lease it from an outside organization.

Responsible for all financial matters

The housing co-op takes care of processing mortgage payments and monthly payments. Ultimately, the housing co-op is responsible for overseeing the budget and ensuring that expenses do not exceed revenues.

Determines the monthly charge to members

A monthly housing charge is like rent or a mortgage payment. It's what members pay each month to live in a housing co-op, and includes charges for future repairs and maintenance, as well as insurance and taxes. Some housing cooperatives include utility payments in monthly housing charges, and others leave it up to each member to pay.

The monthly housing charge is determined by a formula developed by the co-op board. The formula is usually based on a variable like the size of the apartment or home in which they live.



How Housing Cooperatives Operate

There are many different models for operating housing co-ops. The member-owners collectively decide on policies that meet their needs and priorities.

RULES AND REGULATIONS

Every housing co-op sets its own policies

In a housing co-op, members can establish rules that reflect their values and lifestyles. For example, they can collectively decide how to deal with issues such as pets or smoking.

A shared financial responsibility

The group also sets its own policies around financial operations. Members must budget costs for their housing co-op, and determine how much to contribute to a reserve fund for potential future replacement costs. These issues are set out in the housing co-op's policy manual.

Manitoba laws governing co-ops

The Cooperatives Act defines the rules, regulations and requirements under which cooperatives operate within the province of Manitoba. Oversight is provided by the Registrar of Cooperatives, which is part of the Financial Institutions Regulation Branch.

GOVERNANCE

Board of directors

Like all cooperatives, a housing co-op has a board of directors elected by the members. The board takes care of detailed decisions on behalf of the members, including urgent issues that arise during the year. For example, if the plumbing failed in the middle of January, the board would arrange for the work to be done and then notify members of its decision.

Any member of the housing co-op can be nominated to serve on the board. The length of a director's term is stated in the housing co-op's bylaws.

The board must record what happens at all board meetings and include all decisions in the minutes, which all members can access.

Challenging board decisions

If members disagree with board decisions, they can ask the board to call a special meeting to discuss their concerns. Bylaws outline the process to call a special meeting if one is required. If the board refuses to call a special meeting, a percentage of the members may call a special meeting. Under *The Cooperatives Act*, for a special meeting to be called, a certain number of a cooperative's members must agree.

Member decisions at the annual general meeting

Important decisions are voted on by the membership at the housing co-op's annual general meeting (AGM). Members provide input on the issues they want discussed at the AGM, and then vote on motions presented at the meeting. For example, members might vote on whether to establish a new playground on the co-op grounds, or on proposed amendments to the monthly charge. If a motion was passed, the board would take action to carry out the wishes of the membership.

At the AGM, members also elect directors to the board and approve the financial statements.

Committees

Many housing co-ops form committees – for example, a finance committee with directors who understand financial matters. Housing co-ops may also form temporary committees to organize events such as a spring clean-up.

Staff

Housing co-ops may hire staff to take care of day-to-day operations. If so, the board oversees the policies of the organization and monitors practices to ensure that management and staff comply with their directives. Management reports issues to the board and ensures the board receives the information it needs to fulfill its responsibilities and find solutions.

PROPERTY MAINTENANCE AND SHARED SERVICES

The cooperative is responsible for setting policies and guidelines to ensure the maintenance and upkeep of the property. Some housing co-ops hire a property management company or staff to handle these duties. In others, the residents save money by performing these duties themselves. Some housing co-ops form committees to oversee these responsibilities.

Members may also get together to organize shared services like child care, transportation and bulk buying trips.

Types of Housing Cooperatives

Manitoba law can accommodate many different types of housing co-ops.

Some housing co-ops are designed for people who want to keep their monthly living expenses as low as possible. Others are for people who want the opportunity to build some equity over time. Some properties are more suitable for groups of people who have higher or lower incomes.

Housing co-ops may include elements from more than one of the models described below.

NOT-FOR-PROFIT MODEL

Emphasizes long-term affordability

Not-for-profit housing co-ops operate without the purpose of financial gain for members. They are the most common type of housing co-op in Manitoba.

This type of housing co-op is an option for people who want greater participation and democratic control over their environment than they would have if they were renting from a landlord. The price of the share is often low – about equal to the amount a landlord would charge for a damage deposit. However, it could also be quite high, especially if the cooperative is a new construction and requires a lot of capital.

In both cases, if a member leaves a not-for-profit housing co-op, the original share price is returned to them. They receive only the amount they paid when joining; they do not receive any increase in property value that may have occurred during their membership. Any increase in equity remains with the housing co-op, helping to keep the housing charges affordable for future members.

Not-for-profit housing co-ops are subject to specific restrictions in accordance with *The Cooperatives Act*:

- They may not issue investment shares.
- Once established, they can't convert into equity housing co-ops.
- If the housing co-op is dissolved, the remaining assets must be given to another not-for-profit housing co-op, a Manitoba co-op with similar objectives and limitations, a charitable organization or The Cooperative Promotion Board.

FULL EQUITY

Allows members to retain market gains

Equity housing co-ops allow members to take advantage of market appreciation – just as they would when buying a condominium or other single-family dwelling.

When members buy into equity housing co-ops, the mortgage equals the market value for the housing they will occupy, plus any additional equity contribution required by the housing co-op. When members leave the housing co-op, they can sell their portion of the cooperative back to the housing co-op at market value, including any growth in value beyond their initial investment.

Financing may be arranged between a financial institution and the individual member, or with the cooperative – whichever is the standard practice for the housing cooperative.

As is with all for-profit cooperatives, equity housing co-ops may issue investment shares. Unlike a non-cooperative business, a cooperative retains the right to exclude investors from having a say in the housing co-op.

Unlike a condominium, each new member must be approved by the board.

LIMITED EQUITY

Balances market gains and long-term affordability

This type of housing co-op is a hybrid of the not-for-profit and full equity co-op models. Members may add provisions to their bylaws to receive a portion of the market appreciation when they sell back their shares to the housing co-op. However, the percentage of market appreciation they receive is typically limited to maintain the long-term affordability of the housing co-op for future members.

Limited equity housing co-ops devise a formula to determine the amount of profit equity members can retain when leaving. It may be the portion of principle they have contributed (not including the interest, taxes or other housing charges they have paid). It could also be a percentage of the market value of the cooperative. The formula is determined by the founding members and can be amended by the housing co-op board.

MULTI-STAKEHOLDER

A way to strengthen share capital and governance

Housing co-ops can have multiple types of members who share a common interest in the co-op's success. These multi-stakeholder co-ops are most often used as a tool for community and social development. For example, the Western Manitoba Seniors Non-Profit Housing Co-operative is a multi-stakeholder model because it has two classes of membership – a supporting class and a resident class. (See page 20 for a profile of this property.)

The various groups or classes of membership are designated in the housing co-op's articles of incorporation. These membership classes can include a group of supporting members who purchase shares in a housing co-op but don't live at the property. Supporting members may be family members of housing co-op residents or local businesses that want to be involved. They could also include incorporated organizations such as non-profits, co-ops, businesses or municipalities. Their participation is a way to add expertise and capital to the housing co-op.

One of the benefits of having different types of members is the opportunity to strengthen governance of a housing co-op. Members are able to draw upon a wider selection of people to serve on the board, making it possible to recruit directors with experience in property management, real estate, law or financial services.

The cooperative members establish the rules of a multi-stakeholder cooperative, including the groups (classes) of members and their representation on the board of directors. People who live at the housing co-op and are members have the right to vote and elect at least one person to represent them on the board. Supporting members who do not live at the housing co-op also have the same right.

Founding member residents determine the board composition. Each group is entitled to at least one seat on the board, and the resident class usually has the majority of seats.

Supporting members usually pay less than residents for their shares in a housing co-op. If they leave the cooperative, supporting members receive only their initial share purchase price, regardless of whether the housing co-op is for-profit, non-profit or limited equity.

Residents usually pay higher amounts because they have a higher stake in the success of the organization.

	FULL EQUITY	LIMITED EQUITY	NOT-FOR-PROFIT
Share Price	Share prices vary Price is determined by members	Share prices vary Price is determined by members	Share prices vary Price is determined by members
Financing	Members are often responsible for arranging financing	Able to apply for government funding	Able to apply for government funding Any surpluses must be reinvested in the housing co-op to maintain long-term affordability
Interest upon leaving	Member receives “fair market share” of the housing co-op’s current value	Return from resale is limited to help preserve the housing co-op’s equity and long-term affordability	Original share price is returned to the member with no interest

The Many Faces of Co-op Housing

Housing cooperatives are moving beyond the traditional co-op model, with more flexibility in how they can be structured, funded and governed.

Here are a few examples of how shareholders and partners are coming together to make the co-op model work for Manitobans.


BLUESTEM HOUSING CO-OP

Friends sharing resources and a way of life

Kerniel and Nancy Aasland were idealistic university students in the mid-1990s, when they set out to create a different sort of housing with a group of their friends. While affordability was a factor, the group was most interested in the opportunity to live on their own terms, share resources and be mindful of their relationships with each other.

They found the right solution when a small apartment block came up for sale in Winnipeg's Corydon Village neighbourhood. Within six months the friends had incorporated as Bluestem Housing Co-op and moved in.

"The general idea was wouldn't it be great if we all lived in a building, and our kids could just roam the hallways," Kerniel explained. "If we were having Brussels sprouts, we'd know -they'd go next door and ask for cookies, but that would be okay because we'd all know each other and we'd have a sense of community."



Bluestem was one of the first private not-for-profit housing co-ops in Manitoba. With just six units, it may also be the smallest housing co-op in the province.

"This is not a neighbourhood we would have been able to live in, without having the co-op to move into," says Kerniel Aasland, one of the original founders.



With just six apartments, Bluestem may be the smallest housing co-op in the province. It's also unusual because it was one of the first private not-for-profit co-ops in Manitoba, created and operated with no government funding.

Even without subsidies, living at the co-op has remained affordable. The monthly housing charge is about 20 per cent less than the cost of renting similar properties in the area.

Bluestem members want to leave a legacy of affordable housing for future residents, so the price of buying and selling a share in their co-op does not increase as the value of the property increases. The share price is still \$500 – the same as it was in 1996.

Looking back, Kerniel feels the co-op has thrived because the founding members had a clear vision of what they wanted it to be, the capacity for long-term planning and the good sense to seek outside advice when needed.

They've also learned that it takes work to maintain good relationships while sharing resources and making hard decisions as a group. To preserve the balance, the co-op members have developed sound consensus-building skills and a multi-step process to carefully screen new members.

In return, they've been rewarded with an affordable lifestyle in one of Winnipeg's most vibrant communities.

"This is not a neighbourhood we would have been able to live in, without having the co-op to move into," Kerniel said. "We've formed a web of relationships and connections with people who've lived in the co-op, and most of them are people I otherwise would have never gotten to meet. It's allowed us to grow our community of friends over the years, and that's been fabulous."



VILLAGE CANADIEN CO-OP

A place to put down roots and grow dreams

When Awo Osei-Assibey moved to Canada in 2006, she was looking for a safe place to raise her children and make her dreams for them come true. She soon found what she was looking for at the Village Canadien Co-op, Manitoba's largest housing cooperative.

Awo's new life in Canada hasn't always been easy. Leaving Ghana meant moving far away from friends and family, finding a new occupation and learning the rules of a different society. But co-op living has made the transition a little easier.

On-site child care is a huge advantage for the mother of four – and if the traffic's bad and she can't get home from work before child care closes, there's always a neighbour nearby who will be happy to watch her children until she arrives.

"Everybody here is looking out for each other," said Awo, who now works as a nurse's aide. "We're all raising kids who are going to be decent people in society, and that's very important to me. I've made a lot of sacrifices and I want to make sure my kids stay out of trouble, go to university and get decent jobs. There is a real sense of community here, and that helps me a lot."

At Village Canadien, the emphasis is on quality housing at a reasonable price. If someone's income decreases, the monthly housing charge can be adjusted accordingly.

"Even when I didn't have a job, it was affordable for me to live here," Awo said. "My housing situation is not one of my stresses."

The co-op management takes care of repairs and members are able to share many resources. There's no need for anyone to buy a lawnmower because they can borrow one from the co-op office. Special co-op events like barbecues and garage sales bring neighbours together, and in summer many people tend to their own plots in the community garden, where other new Canadians have introduced plants like sorghum alongside the tomatoes and cucumbers.

With two sites in south Winnipeg, Village Canadien provides housing for hundreds of people, from singles and seniors to young, growing families. The townhouses and apartments range from one to four bedrooms in size, which makes it easy for members to move to larger or smaller spaces as their needs change.

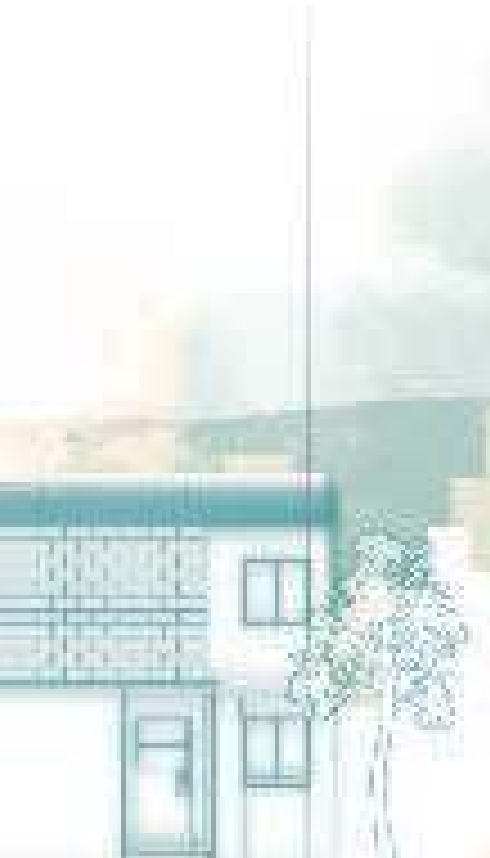
It's truly a place where people put down roots. Some of the members have lived at Village Canadien since the co-op was first created in the 1970s.

"I like the feeling of community and security here," Awo said. "Everything has worked out for me."



Village Canadien is Manitoba's largest housing co-op, and is now planning for further expansion.

"I like the feeling of community and security here," says Awo Osei-Assibey. Awo has lived at two different Village Canadien locations since moving to Manitoba from Ghana.



WESTERN MANITOBA SENIORS NON-PROFIT HOUSING COOPERATIVE

Creating affordable housing for more Brandon seniors

A booming economy is great for a community, but it can also lead to a shortage of affordable housing and rental units. Seniors on fixed incomes often feel the crunch most acutely as they search for safe, quality places to live in their golden years.

When Brandon faced this challenge, community partners came together to pioneer a housing co-op that created an attractive, affordable place to live – the Western Manitoba Seniors Non-Profit Housing Co-operative.

A notable feature of this housing co-op is the opportunity for non-residents to buy shares.

“For example, brothers and sisters might chip in to buy a share so their mother can have a comfortable, affordable place to live,” explained Harvey Douglas, vice president of the co-op and a driving force behind the co-op. “It’s a great idea for estate planning, too, because the equity goes right back to those who purchased it.”

The project was initiated by another local co-op called Seniors for Seniors, which saw that some life-long citizens of Brandon were worried about the possibility of having to move out of the community to find affordable housing. Seniors for Seniors realized that co-op housing could be the solution, and took the lead in bringing together partners who could make the project happen.

Many community-minded organizations soon came on board. A total of \$2 million was contributed by the federal and provincial governments through the Canada-Manitoba Affordable Housing Agreement. The City of Brandon stepped up with a land and cash donation equaling \$495,000. Another \$715,000 in share capital was provided by the housing co-op members themselves.

With such strong community backing for the project, Westoba Credit Union was able to provide mortgage financing with flexible terms and a favourable interest rate.

“With more equity going into the project, it’s easier for us to finance them, and that just helps us get these projects off the ground more readily and quickly,” said Westoba’s Randy Brown. “The opportunity to be part of this was exciting right from the beginning.”

The cost for a member to buy in was \$18,000-\$24,000. That’s considerably higher than the share price of a traditional co-op, but after selling their homes in a healthy market, many Brandon seniors had the capital to invest.



A bigger equity contribution up front meant that ongoing monthly charges could be much lower than what the members would pay to rent comparable suites elsewhere in the city. An innovative arrangement with the City of Brandon also makes suites available to seniors at lower income levels. Their monthly housing charges are based on their income and supplemented by the Manitoba government.

“The co-op model really works well in Brandon because it involves the community, and we’re a very community-focused city,” said Mayor Shari Decter Hirst. “It allows the cost to be as low as possible, and it’s a different kind of engagement and ownership with the residents who are going to be living in the building.” Now these seniors enjoy the freedom of living in a private housing suite, at a cost they can afford, with the social support of their co-op community.

“It allows us to become friends with other people in the block and to look after each other,” Harvey said. “Everyone has ownership. The people who live here regard the building from a much different point of view. They look after it and are proud of the fact that we’re keeping a nice, clean, beautiful-looking facility.” There’s been nothing but happy, happy, happy people ever since they’ve moved in, and we think it’s one of the best things that could happen for a group of seniors.”

This Brandon housing co-op was made possible by several different kinds of shareholders and partners.

“It allows us to become friends with other people in the block and to look after each other,” says Harvey Douglas, a resident and driving force behind the co-op.





SECTION 2

Evaluating Different Housing Option

- Is Cooperative Housing Right for You?
- Comparing Options: Co-ops, Condos, Rentals and Single-Family Ownership
- Common Questions



Is Cooperative Housing Right For You?

Every housing option – whether renting, buying or joining a housing co-op – offers a different combination of advantages and limitations.

Here are some questions to consider when making this highly personal decision.

How much autonomy do you want to have? Is it important for you to have complete control over your living environment?

Renters usually have little or no control over the places in which they live, while owners of single family homes have complete control. As a housing co-op member, you have a vote in these decisions – but you also have to share these decisions with your neighbours. Condo owners face similar restrictions.

What is your appetite for financial risk and financial reward? Do you want your home to be a financial investment?

Private home ownership may offer the greatest investment potential, but to realize those financial rewards, you also need to be able to accept the financial risks on your own. At the other end of the investment spectrum is renting, which offers no investment opportunity but also very little financial risk.

Housing co-ops offer a range of options in the middle of the spectrum. Some housing co-ops provide the opportunity to build equity, while others simply return your original share price to you if you leave the housing co-op. With the housing co-op model, you are pooling equity contributions with other people towards the cooperative.

Do you like to get to know your neighbours, or do you prefer to live more privately?

Living in a housing co-op suits the kind of person who enjoys a sense of community. Residents often share equipment and help each other out in many different ways. They frequently organize community events, like barbecues or other group activities.

Each cooperative has its own approach about the level of involvement expected of its members. Ideally, the members of a housing co-op are engaged and involved in its ongoing activities.

This closeness and mutual support is cherished by many housing co-op members. It means that neighbours must find ways to get along and resolve their differences. Some people prefer a more solitary lifestyle. It all depends on what works for you.



How much responsibility are you comfortable with?

Other than respecting the lease agreement and paying the rent and utilities, renters are responsible for very little. Being part of a housing co-op entails bigger responsibilities.

Members are responsible for the ongoing operational and financial obligations of their cooperative. Housing co-op members may also be expected to perform some maintenance, depending on whether the housing co-op hires property managers to do the work.

Are you comfortable with sharing and compromise?

Group decisions are an important aspect of living in a housing co-op. The goal is for members to reach a consensus on decisions, but consensus is not always possible. As a housing co-op member, you may occasionally be out-voted on issues that affect the way you live. When disagreements arise, neighbours must find ways to maintain good relationships so that the community as a whole can thrive.

Mutual respect is an important practice of successful cooperatives. Decisions may also take longer because of the need for group input.

How important is it that your investment be portable?

It's fairly simple for a housing co-op member to sell back their share and withdraw from the co-op. If a member just wants to move to another place within the same housing co-op, it's an easy transaction to arrange, with none of the hassles or costs of buying and selling property.

What is your financial capacity for dealing with major repair bills, changes in interest rates or shifts in the housing market?

In housing co-ops, these risks and costs are shared by all of the members – an advantage that helps to shield individual residents from sudden expenses. Housing cooperatives establish reserve funds that help with upkeep and unexpected costs as the property ages. Housing co-ops that own real estate may be able to borrow against their property for improvements.

Are you concerned about having a secure living situation you can count on in the future?

Some renters worry that they could lose their accommodations if the landlord decides to sell the building or convert it to another use. As a housing co-op member, you have a voice in decisions about your home.

Comparing Options

	CO-OP HOUSING	CONDO	SINGLE FAMILY OWNED DWELLING	RENTAL
Ownership	<p>Members own a share of the cooperative, which owns (or leases) the land and buildings.</p> <p>Each member has the exclusive right to occupy a dwelling, unless the membership is terminated.</p> <p>In a multi-stakeholder model, a person can own a share of a housing co-op but is not necessarily a resident.</p>	Residents own their homes.	Residents own their homes.	<p>Apartments, suites or homes are owned by the landlord.</p> <p>Lease agreement with the landlord entitles the renter to live in the home for a specified period.</p>
Monthly costs	<p>Residents pay a monthly charge to the cooperative to cover shared maintenance and service costs.</p> <p>This fee may also cover utilities.</p>	<p>Residents pay a monthly condo charge for shared maintenance and service costs.</p> <p>Condo charges may include utility costs, or individual owners may pay utilities on their own.</p>	Homeowner pays utility costs and other charges directly to the service provider.	<p>Residents pay a monthly rental charge to live in the home.</p> <p>Rent may include utility costs and other services, such as parking.</p>
Property taxes	Tax is assessed on the building as a single entity and then shared by residents through the monthly housing charge.	Tax is assessed on individual condos and paid by the individual owners.	Tax is assessed on the property and paid by the homeowner.	<p>Tax is paid by the landlord.</p> <p>Costs are passed on to residents through the monthly rental charge.</p>
Property insurance	Property insurance is included in the residents' monthly housing charge. Residents are responsible for insuring their contents.	<p>Residents are responsible for insurance on their individual condominiums and contents.</p> <p>Insurance for shared facilities is included in the monthly condo charge.</p>	Homeowner is responsible for all insurance on the property and contents.	Landlord is responsible for insurance on the property.
Cost of buying and selling	Cost of buying in can range from the equivalent of a damage deposit to the market value of the unit, depending on the housing co-op. The board approves all new memberships.	<p>Residents are responsible for buying and selling their units.</p> <p>Selling costs may include realtor commissions, advertising and capital gains tax (if profit on the sale exceeds \$250,000).</p>	Same as for a condo.	Renters move in and out without paying any charge (other than a refundable damage deposit)

	CO-OP HOUSING	CONDO	SINGLE FAMILY OWNED DWELLING	RENTAL
Financial liability	Members are responsible for meeting their financial obligations. Members with loans are responsible to their lenders.	Residents are responsible for financing costs (mortgages).	Same as for a condo.	Residents are responsible for paying rent until the lease expires, even if they move out sooner. Renter also pays a damage deposit, which is refunded by the landlord at the end of the lease if the condition of the unit is unchanged.
Maintenance and repairs	The housing co-op is responsible for building exterior, grounds and other common areas. Costs are passed on to residents through the monthly housing charge. The housing co-op must maintain a replacement reserve (funded through the members' monthly housing charge) and may also use property and other equity to finance major repairs and improvement. Co-ops can choose how they allocate responsibility for dwelling units.	Generally, condo owners are responsible for interior of their place and condo association is responsible for the exterior and common areas. The condo association builds expenses into the monthly condo charges.	Homeowner is responsible for all maintenance and repairs.	Landlord is responsible for all maintenance, repairs and improvements, unless otherwise agreed-upon in the lease agreement.
Community control	The housing co-op approves all potential members and can terminate membership. Members democratically govern the co-op and elect a board of directors. The housing co-op board makes decisions on behalf of the cooperative.	The condo association makes decisions about costs and services shared by the residents. Association members are elected by the residents.	Homeowner makes all the decisions.	Landlord makes all decisions.
Home equity	Equity growth ranges from none to market rate interest, depending on the type of housing co-op.	Residents retain all market appreciation or depreciation of their individual condos.	Homeowner retains all market appreciation or depreciation of the property.	None.

Common Questions

Renting versus living in a non-profit housing co-op: What are the main differences?

- **COST:** The monthly housing charge for a co-op resident may be lower than living in a rental property, since there is no profit motive. How much lower depends on several factors, including how much financing the members have contributed to the housing co-op and the amount of support provided by other community partners. The more equity co-op members contribute, the lower the financing costs will be – which in turn reduces the monthly housing charges for members. Surplus funds go back into the cooperative for the benefit of all members, and may go toward community and charitable organizations.
- **CONTROL:** In a housing co-op, members collectively make decisions and set rules, instead of the landlord. For example, they have input into the necessity of repairs and renovations. Together, they decide who the new member will be when a current member leaves. They have greater ability to shape the community in which they live.
- **SECURITY:** Housing co-op residents don't have to worry about losing their place to live because the landlord has decided to sell the property or make other changes. Housing co-op members make decisions about future changes to their property. They can stay in their housing co-op for as long as they wish, as long as they abide by the cooperative's policies and bylaws.
- **RESPONSIBILITY:** With greater choice and control comes greater responsibility. Members must be prepared to take care of the housing co-op, share resources and work as a team. Many see this added responsibility as a growth opportunity.

Owning a condo versus living in an equity housing co-op: What are the main differences?

- **OWNERSHIP:** Housing co-op members own a portion of the cooperative, rather than their individual suites. Buying a share, or multiple shares, buys them the right to live in the housing co-op and vote in the co-op's elections.
- **THE COST OF BUYING INTO A CO-OP:** To become a housing co-op member-owner, one must purchase a minimum amount of membership shares as outlined in the articles of incorporation. They must also contribute a down payment toward the mortgage.
- **FINANCING:** Housing cooperatives negotiate and secure mortgages and financing for the property. Some housing co-ops require members to provide equity contributions, which members secure on their own. All housing co-ops require members to pay housing charges that go to property upkeep, and possible debt repayment.
- **HOW PROPERTY TAXES ARE ASSESSED:** A housing co-op is assessed as one building, and not as individual homes. This may reduce the amount of property tax each member is responsible for paying.
- **COST OF MOVING:** The housing co-op's board is involved in finding a new member to buy a share and take over the vacant home, and many cooperatives have waiting lists to draw on for future residents. Members may have to wait to receive payment for the sale of their portion of the housing co-op until a new member is found.

- **FINANCIAL RISK AND REWARD:** Condo owners have the opportunity to build equity as their property grows in value. Co-op housing members may or may not have the opportunity to build equity, depending on how their co-op is set up. For example, full equity housing co-ops always make some market appreciation available to members. Limited equity housing co-ops may also make some market appreciation available. A not-for-profit housing co-op is set up so that only the original share price is returned to members when they leave.
- **RESPONSIBILITY FOR PAYING UTILITIES AND PROPERTY INSURANCE:** In some cases, co-op housing members pay for utility and property insurance themselves. In other cases, these costs are shared by co-op housing members and included in the monthly housing charge paid to the cooperative. The situation is similar for condo owners. Costs may be paid directly by the condo's owner, or may be included in the monthly condo fee.
- **SHARED VALUES:** In co-op housing, residents may maintain a like-minded community because the board decides who the new members will be.

Does it cost more to buy in to an equity model co-op?

Not necessarily. In some equity housing co-ops the financing capital is modest. In others, the equity requirements are higher so members can reduce their monthly expenses. The down payment / mortgage can vary depending on factors like location, amenities and the mortgage on a property.

Can a housing co-op terminate someone's membership?

Not without reason. However, the board can order members to leave if they don't comply with the housing co-op's rules or don't pay their housing charges. The process to terminate someone's membership must be carefully considered and documented. This is a tribunal process involving the Registrar of Cooperatives.

If this happens, the member has the right to appeal the board's decision. The appeal board comprises people with special training to make final decisions on these issues. While the decision is being appealed, the member may continue to live in the housing co-op.

Who can start a housing co-op?

Any three or more adults who are not bankrupt can create a housing co-op.

How long does it take to set up a new housing co-op?

The time varies widely, depending on the level of community support, the expertise of the members, the size of the housing co-op and the financing required. The most important first steps are to gauge the interest of potential members and supporters, test the feasibility of the concept and develop a sound business plan.



SECTION 3

Getting Started

- Introduction
- Creating Your Housing Vision
- Incorporation, Bylaws and Your First AGM
- The Business Plan
- Securing Capital
- Ongoing Responsibilities



Introduction

In many ways, developing a cooperative is a lot like developing a traditional business. The difference is that a housing co-op is shaped through collective effort and guided by a set of cooperative principles. This increases the amount of work during the business planning stage but also means the resulting cooperative may be more likely to succeed.

Assistance to work through the process is available from Manitoba Housing and Community Development. You may also need assistance from experienced specialists, including lawyers, accountants, community leaders and cooperative developers. They will help you develop good organizational structures and sound business plans.

Here are some general guidelines for moving forward.



Creating Your Housing Vision

A clear and strong vision is the foundation of a successful new housing initiative. If you think you have a great idea for a housing co-op that will fill a real need, it is also critical to determine whether others will agree. Before you proceed further, you can take these steps to help thoroughly shape your vision and determine whether it will succeed.

DEVELOP A STEERING COMMITTEE

To help you develop your cooperative, it's a good idea to seek out people who can contribute to the business concept and who share your goals and values. They can help you clarify what you and the other members want to achieve.

Set expectations within the steering committee about mutual respect, how you'll work together, and meetings dates and times. It's good to establish timelines for intended accomplishments and determine each person's area of responsibility.

It's also helpful to involve individuals who are knowledgeable in:

- Property development
- Housing management
- Financial management
- Co-op development

PUT TOGETHER A DEVELOPMENT TEAM

You will need guidance from a number of professionals to make your housing vision a reality.

Unless you have in-house experience or expertise in developing housing, engaging a development consultant is often the first step in building your development team. It's also likely that you will need to retain the services of other professionals, such as an architect, lawyer, and/or construction manager.

You may also want to speak with a housing co-op development specialist and explain what your group wants your housing co-op to look like. This kind of specialist can provide guidance and help you interpret *The Cooperatives Act*, your articles of incorporation, bylaws and other areas of co-op development.

EVALUATE FEASIBILITY

Your development team will help you determine your proposal's feasibility. This is one of the most important steps in the process.

Such analysis will involve a comprehensive review of the market and all of the operational, technical, managerial and financial aspects of your concept. You may also identify challenges you had not considered, and opportunities to improve the viability of the concept. When the study is completed, you will have a much clearer road map for the many decisions ahead. For these reasons, the feasibility study should be completed before anyone invests any significant amount of money or other resources into the housing co-op.

Government programs or other sources may provide some assistance for the feasibility study, but potential members will need to make the up-front contribution. If potential members are reluctant, be cautious. Their reluctance may signal a lack of commitment to build and expand the housing co-op. Remember to factor in the additional time that may be required if you are planning to pursue government funding or gifts of land.

The feasibility study will help you assess the potential for success, but it is not a guarantee. Potential members should ultimately decide whether to proceed and how to best go about it.

SELECT A CHAMPION

A champion is someone who can present the feasibility study to potential members and stakeholders.

Your champion should have:

- A good understanding of how housing co-ops function and the processes and practices of business development
- The ability to understand and interpret the feasibility study results
- Effective communication and consensus-building skills
- Credibility with potential members
- Genuine enthusiasm for the housing co-op

Champions are key to the success of co-ops because they can elicit support from various stakeholders needed to make the initiative a success, like potential member-owners, board members and people who may wish to support the co-op in other ways.

SEEK FEEDBACK FROM POTENTIAL MEMBERS

Once the initial information has been gathered, arrange a meeting where you can present the idea for the housing co-op, as well as its benefits and preliminary costs. You can survey potential members to gather feedback, evaluate the volume of business that may exist and determine whether people are willing to support the idea.

Incorporation, Bylaws and Your First AGM

The next step is to form a legal entity that can raise finances, appoint the first directors and move the housing co-op forward. Incorporation gives your cooperative a legal status. Generally, members of an incorporated cooperative are not held personally responsible for the cooperative's debts or actions.

FILING THE NECESSARY ELEMENTS

The members who start the housing co-op will file most of the documents required by the Registrar of Cooperatives.

Housing cooperatives must:

- File a name search with the Companies Office
- Provide a location for the registered office
- File articles of incorporation and bylaws

Many forms are available from
<http://gov.mb.ca/firb/coop.html>.

You shouldn't file your name search until planning is well underway because you will have only 90 days to file your articles of incorporation after the name is approved. Certain rules apply to the naming of a cooperative, so this name should be approved by your housing co-op developer or the Registrar of Cooperatives before you file the name with the Companies Office.

The articles of incorporation are difficult, costly and time consuming to amend. You should work through these documents with a housing co-op developer as decisions you make in one article may affect a different article.

ROLE OF THE FIRST DIRECTORS

When you incorporate a housing co-op, the co-op's first directors will be listed in your articles. They will hold office until the co-op's first annual general meeting (AGM). These first directors of the housing co-op will carry on the business of the co-op and move the business planning forward. They should meet several times to:

- Plan the annual general meeting (AGM), which should be held within 18 months of incorporation
- Organize the drive for housing co-op supporters
- Actively recruit and approve new members
- Prepare materials such as financial statements, committee reports and bylaws for approval at the AGM

IMPORTANT DATES

Articles of incorporation:

Must be filed within 90 days of name approval

AGM: Should be held within 18 months of incorporation

Bylaws: Must be prepared and filed within 18 months of incorporation

PREPARING YOUR HOUSING CO-OP'S BYLAWS

The bylaws describe the way in which the members will manage the business, elect directors and hold meetings.

Manitoba law requires that each housing co-op prepare and file by-laws within 18 months of incorporation. You should complete a full set of new bylaws before the AGM, where they will be ratified by the larger membership. A good starting point is the model by-laws available on the Registrar of Cooperatives webpage: www.manitoba.ca/firb/coop

As you draft your bylaws, you should consult with the Registrar of Cooperatives to ensure your draft complies with *The Cooperatives Act*. A cooperative developer can also assist in guiding your group through the different choices you may want to consider. In this way, you can make sure that you aren't asking your members to approve a document that won't comply with the legislation.

Once the Registrar of Cooperatives has approved the articles of incorporation, the cooperative has 18 months to call its first annual general meeting of its members.

DECISIONS ABOUT THE BOARD

As you develop the bylaws, you will need to make these decisions about the board of directors:

- **Length of terms:** It's wise to stagger directors' terms so that there is continuity as board members change.
- **Number of directors:** A housing co-op must have at least three directors. An odd number is usually better to reduce the possibility of ties during voting. If you are starting a multi-stakeholder co-op, you may also wish to ensure that the makeup of the board reflects each stakeholder group.
- **Assigned duties:** The board must include a president, vice-president and secretary/treasurer. The secretary and treasurer may be two different positions. Other directors can have specific duties, such as a communications director, or they can just be members at large.

YOUR FIRST AGM

Several important developments will take place at your first AGM: The bylaws will be approved by a majority vote of the members. The first directors' terms will expire and an election will determine new board members and/or remaining incumbents. The membership will vote to approve the auditors of the housing co-op, or to dispense with the need for auditors.

You should encourage potential members to formally join before the meeting so they have the right to vote.

ELECTION OF THE BOARD

Before the AGM you may wish to establish a nominating committee to notify all members that an election will occur, and collect names of people interesting in serving as board members. Nominations can also be made from the floor during the AGM.

If there are more nominees than available places, a vote of the membership will decide who is elected to the board. In a multi-stakeholder co-op, members elect the director(s) representing their stakeholder group only. You may wish to have the ballots scrutinized by someone not affiliated with the membership.

Once the board has been elected, they hold their first meeting. Generally, the person with the most votes becomes the president, the person with the second highest number of votes becomes the vice-president and the person with the third highest number of votes holds the position of secretary and/or treasurer.

REAFFIRMING YOUR DECISIONS

Don't be afraid to re-affirm your goals at various points in the development of a housing co-op. A housing co-op is like any other business – things change among the membership and in the business environment.

At a certain pre-decided date, you may want to review your decisions and progress. Is your champion still enthusiastic and committed? Should other people get involved? Is the proposed housing co-op structure still the best one for your existing and potential members?

The Business Plan

Before you can put financing in place, you need a solid business plan. It is the basis for developing, designing, building and managing the housing co-op you envision. Besides demonstrating capacity to undertake the project, a business plan helps determine project feasibility and is required by most lenders and funders.

Many decisions will hinge on this plan, so you may want expert involvement. Members should also be involved so they can expand their own knowledge.

WHAT THE PLAN COVERS

In developing your business plan you will identify your goals for the project, carry out research and analysis, and assemble information about your idea in a clear, logical format.

The business plan should outline the housing co-op in detail, including financial projections and all relevant issues, why potential members and stakeholders should invest, and the team's ability to successfully develop and repay any financial assistance.

It will more specifically include:

- A description and background information on your organization
- Information on the development team
- Needs assessment, including identified target group and marketing plans
- A clear description of the project concept, including information on the proposed site and proposed building design
- Project financing plan, including financial resources of the organization (e.g., land, cash equity, etc.)
- Detailed capital and operating cost estimates, along with anticipated project revenues
- Project partnerships, as well as other evidence of community support
- Post-construction management and operating plans

The business plan will be presented to potential members, lenders and community organizations. A well-developed business plan is critical to make a good first impression. You should review the plan with them to ensure they understand the assumptions and have enough information to make an informed decision about whether to invest in the housing co-op. It is also important to revisit your business plan on a regular basis.

A TIME TO MAKE IMPORTANT DECISIONS

As the business plan is developed, you may want to put further thought into factors such as:

- Buy versus lease: Housing co-ops can involve new construction, renovations to existing housing stock or leased premises. Some co-ops decide to lease land and housing from outside agencies, like non-profit organizations, private property managers or government agencies.
- Communal assets: Some housing co-ops have shared assets beyond housing, which form a broader base for their community. Do you want your housing co-op to include other shared assets such as gardens, playgrounds, kitchens and other common areas?
- Do it yourself or hire outside services: Housing co-ops can hire staff and contract companies to provide many services – or the members can decide to handle these jobs themselves as a way of reducing costs.
Contracted services may include:
 - Daily management of the co-op
 - Lawn mowing
 - Snow clearing
 - Repairs and upkeep
 - Bookkeeping
 - Financial auditing
- Share price and housing charges: The founding members will need to decide how much should be charged for a membership share, which gives a member-owner voting rights. In addition to the membership share, member-owners are also expected to contribute to the capital of the housing co-op by paying their share of the mortgage and monthly housing charges.

OFFERING STATEMENT

If shares or required loans exceed \$1,000, you will need to develop an Offering Statement to file with the Registrar of Cooperatives. This is similar to a prospectus filed with the Securities Commission.

ASSISTANCE AVAILABLE

Groups can apply for Proposal Development Funding (PDF) loans to develop affordable housing cooperatives in Manitoba. This funding is available from the Manitoba government. PDF loans can help offset the costs of bringing a proposal to the financing stage and can be used for various services such as hiring professional consultants like architects or development consultants, completing land and soil surveys, and business planning.

Groups are also encouraged to explore information materials available from the Canada Mortgage and Housing Corporation (CMHC). These materials have been developed to assist with business plan preparation and other project predevelopment activities.

Securing Capital

Now comes the moment of truth: If potential member-owners are willing to proceed with the housing co-op, they will provide the required capital to implement the business plan.

At this point, you must confirm that you will have enough capital to ensure that the housing co-op will at least break even. If all goes according to plan, you will now be ready to build and operate a housing co-op.

ASSISTANCE AVAILABLE

Groups may have the opportunity to apply for capital funding from the Manitoba government through Manitoba Housing and Community Development's Rental and Cooperative Housing Program. Capital funding through this program is intended to increase the supply of affordable housing. Funding is typically committed by way of select public intake processes. Proponents are encouraged to touch base with departmental staff to discuss opportunities for potential project support.



Ongoing Responsibilities

Once it is up and running, a housing co-op must continue to meet its obligations to members, lenders and regulators.

FINANCIAL OBLIGATIONS

Housing co-ops are responsible for meeting their ongoing financial obligations. The board must approve the operating budgets annually to address ongoing maintenance costs, capital repairs and other long-term needs. Revenues (housing charges) must be enough for the co-op to cover all of its expenses.

Each month the co-op board should review the financial statements and manager's report on operations. After each fiscal year-end, an audited financial statement must be completed and an annual return must be filed. Strong financial controls and long-term financial planning will help the housing co-op identify and address the long-term business needs.

RECORD-KEEPING

The cooperative must keep written financial records that correctly record and explain its financial transactions, financial position and performance. These records should enable true and fair financial statements to be prepared and audited. Records must be retained for seven years after the transactions are completed.

AUDITS

An official audit will be required five years after incorporation. These costs should be budgeted for in advance.

AGMS AND SUCCESSION PLANNING

After the first annual general meeting, the housing co-op must hold an AGM every 15 months. Ongoing succession planning helps to transfer knowledge and continue the legacy of a strong, successful project.

More Resources

Manitoba government

The Cooperatives Act

<http://web2.gov.mb.ca/laws/statutes/ccsm/c223e.php>

Manitoba Housing and Community Development – Cooperative Development Services

<http://www.gov.mb.ca/housing/coop/index.html>

Strong Communities – An Action Plan

http://www.gov.mb.ca/housing/about_mbhousing.html

You Take the Lead: Expanding Housing Options in Your Community

http://www.gov.mb.ca/agriculture/rural-communities/economic-development/pubs/rural_house.pdf

Northcountry Cooperative Foundation and Northcountry Cooperative Development Fund

Cooperative Housing Toolbox

http://www.uwcc.wisc.edu/pdf/Housing_Toolbox_Practical_guide_for_success.pdf

Co-operative Housing Federation of Canada

<http://www.chfcanada.coop/index.asp>

Manitoba Cooperative Association

www.manitoba.coop/

Canada Mortgage and Housing Corporation

http://www.cmhc-schl.gc.ca/en/co/buho/seca/seca_001.cfm

http://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce/afhoce_001.cfm

Cooperatives Secretariat

Forming our cooperative: Information kit for entrepreneurs

www.agr.ca/policy/coop/kitcoop/sphashe.html

Industry Canada

Your guide to government of Canada services and support for small business

<http://strategis.ic.gc.ca/SSG/mi>

CoopZone

<http://coopzone.coop/en/about>



We can help

The Manitoba government's cooperative developers can help you explore the potential of co-op housing. Contact us for advice on:

- Interpreting *The Cooperatives Act*
- Financial assistance during the planning phase
- Proposal development
- Developing articles of incorporation and bylaws
- Capital funding through the Rental and Cooperative Housing Program

**For more information contact
1-866-479-6155 or co-ops@gov.mb.ca.**

The Cooperative
Promotion Board

