

## ACCESS TO HOUSING. ADVANTAGES AND DISADVANTAGES OF COHOUSING

Alejandro Campillo Almajano<sup>a</sup>, Alicia Llorca-Ponce<sup>a</sup>

<sup>a</sup>Universitat Politècnica de València, Spain

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### ABSTRACT

Access to housing has become a problem for a large number of the population. This work is inspired by the search for new forms of access to housing beyond the traditional system of buying from a private developer. For the future resident, the cost of access between the alternatives is compared. For this, we work from the case method starting from a plot in the city of Valencia on which a comparative cost study is carried out. In the case of cohousing, a management model based on the cooperative is proposed. On the other hand for traditional development, the usual steps of feasibility studies applied to the real estate sector will be followed with the analysis of the profitability of the project. The results indicate that access through the cohousing system is a lower cost for families than access through the purchase from the developer. The analyses carried out indicate that access through cohousing represents a saving of almost 30%. The work also exposes the advantages and disadvantages for families of each of the access systems.

### KEYWORDS

Housing markets; cohousing; feasibility; cost; accesibility.

### 1. INTRODUCTION

Cohousing is a type of accommodation that incorporates aspects of architectural scope that are oriented and conceived to facilitate social interaction. Experts place its origin in Denmark at the beginning of the 70s. From the study of these early experiences arises the publication of Charles Durrett and Kethery McCamant "Cohousing a Contemporary Approach to Housing Ourselves" published in 1988. To these authors we owe the most widespread definition, understanding of Cohousing as a set of collaborative housing in which residents actively participate in the design and management of the environment. They combine private spaces with common areas in which the community shares resources. Beyond this definition, in more recent periods, environmental sustainability criteria and measures are essential elements in cohousing. Cohousing must be analyzed from two dimensions, the physical or architectural dimension and the social dimension, which refers to the community dimension and the participation of its members. "It is not enough for a group to jointly design a property but from its own design of the space it seeks to promote interaction and generate community life through spaces and resources conducive to it", (Cuesta et al 2020).

As a result of the last economic crisis, cohousing has gained renewed interest, as a formula that facilitates access to housing, an alternative that faces mercantilist approaches aimed at

maximizing profit where housing is exclusively a product that responds to a logic of the market. This system allows to reduce the cost of access to housing and an alternative to the purely commercial logic understanding housing as a right. The present work tries to provide evidence on the advantages in terms of costs of cohousing compared to the system of access to the property through the purchase from a developer.

The study shows that the cohousing model compared to the purchase of housing from the developer represents a cost reduction of more than 25%.

The work is structured starting with an analysis of the origins and legal framework of cohousing. It continued with a comparative analysis of the costs and the advantages and disadvantages of each of the alternatives considered.

## 2. THEORETICAL FRAMEWORK

The term Cohousing was first used by American architects Charles Durrett and Kathryn McCamant in their book *Cohousing, A Contemporary Approach to Housing Ourselves* published in 1988. This is defined as "a type of community cohesive by its way of understanding the relationship between private life and common life. It consists of a set of private homes and an important endowment of common services. Planned and managed by its residents, according to the model they themselves decide, which allows them to define the project according to their real specific needs". Cohousing is inspired by the original idea of village or community. An environment where all the inhabitants live and work in harmony, following rules imposed by themselves.

The falastery can be considered an antecedent of Cohousing, a community of production, consumption and residence theorized by the utopian socialist Charles Fourier<sup>1</sup>. It proposes an economically self-sufficient community, in which each person can freely choose their profession. Kibbutz in Israel can be considered

another antecedent, although initially they were agricultural communities later evolved into industrial activities (Rodríguez 1975). Ebenezer tried to carry out these ideas in England, founding two garden cities, Letchworth and Welwyn, 60 and 30 kilometers from London respectively. Although his cities failed to address all the principles he envisioned, they did serve as inspiration for later architects such as Frank Lloyd Wright with his approach to the urban growth of the periphery of large cities. In the 20th century, during the interwar period in Vienna, a low-cost social housing project was launched for the working class of the population. The project defines a minimal dwelling, seeking an interpersonal relationship in common spaces, such as living rooms, kitchens and large urban plantations (Chong et al. 2019).



Figure 1. Cohousing WindSong, Canadá. Source: <https://fr.cohousing.ca/classifieds/three-bedroom-plus-den-home-for-sale>



Figure 2. Cohousing SÆTTEDAMMEN. Source: <http://www.xn--sttedammen-d6>



Figure 3. Cohousing Aflorem, Badalona. Source: [https://www.colab.cat/cohousing-aflorem/#lightbox\[gruop-16741\]/3/](https://www.colab.cat/cohousing-aflorem/#lightbox[gruop-16741]/3/)



Figure 4. Cohousing Las Carolinas, Madrid. Source: <https://www.entrepatrios.org/las-carolinas/>

Cohousing is the grouping of people with a common project. In the European models the constitution in the form of cooperatives predominates. Law 27/1999 of July 16, on cooperatives, grants the same rights to all partners and provides a democratic legal tool to

manage all situations that may arise. Regarding the regulatory legal framework of cohousing in Spain, it is included in the Law of cooperatives . The cooperative is the owner of the housing and it is in charge of managing the installments with which the payment of expenses such as maintenance, repairs and other situations that may occur in the property will be made. The cooperative model is protected by the right of usufruct regulated in article 467 of the Civil Code. The usufruct allows the use/enjoyment of other people's property and the usufructuaries have the obligation to preserve their form. The cooperative members are holders of the transfer of use of the home, with the obligation to preserve it in the best possible condition. Since it does not have any specific regulation, Cohousing falls under the Urban Leasing Law (BOE-A-1994-26003). The Carolinas building in Madrid is an example of this property system in Spain. A building of 17 housings based on mutual support with their own energy and low energy demand.

Law 27/1999 of July 16 on cooperatives grants the same rights to all partners and provides a democratic legal tool to manage all situations that may arise. This type of cooperative takes the ANDEL model as a reference, implemented in countries such as Germany, Denmark or Sweden. Its characteristics are: 1. The Cession of Use rights are inheritable. 2. Indirect taxes are not faced as there is no transaction of a good. 3. Avoid speculation in the real estate market, cooperative members bear payments based on costs. 4. Each cooperative will be able to establish its own statutes, where all aspects related to the cooperative will be debated, voted on and chosen. 5. As the cooperative is the owner of the land and the property, it will always ensure the general interest of the cooperative members and the common good. 6. In case of wanting to leave the cooperative, the initial investment made would be returned, plus the annual increase in the Consumer Price Index (CPI), without losing purchasing power at any time. The terms would be regulated in the statutes of each cooperative (Etxezarreta et al. 2018).

### 3. METHODOLOGY

To carry out the comparative study of costs, the techniques of feasibility analysis in real estate projects are used. It starts from a plot located in the city of Valencia and an estimate of the cost for the future resident of the two assumptions is made, access by purchase from the developer and cohousing. In the case of the purchase from a private developer, the price is estimated from the market study. It is necessary to ensure that at this price the promoter will be willing to build the houses for sale. For this we will carry out the feasibility study in which the revenues, costs and profit margin will be estimated.

In addition, a financial proposal will be made and the flow of collections and payments of the project will be estimated. Finally, the profitability will be determined, confirming the project provides adequate profitability from the calculation of IRR. In the case of cohousing, the cost of access for the resident will depend on the different costs necessary to carry out the building. It is considered, for simplicity, that the building costs in both cases are similar. Although it is clear that they differ in certain expenses such as deeds and commercial expenses among others.

The costs of access through cohousing are analyzed and compared to access to property through the acquisition of housing from a promoter. A case study is proposed in a plot of land in the city of Valencia. The site is located at number 30 Brasil street in the Nou Moles neighborhood in the city of Valencia. The plot has an area of 1,780 m<sup>2</sup>. The regulations allow the construction of housing and tertiary use on the ground floor. The construction of a 7-storey block of houses with a swimming pool, green areas and sports area is proposed. The total buildable area consists of 1,248 m<sup>2</sup> per floor. There are indoor common areas on the top floor and some more outside the building.

The construction of 66 homes is planned. Due to the high demand for parking spaces, 66 spaces are projected to be awarded to homes plus another 37 for private sale.



Figure 5. A floor plant of the building considered for the case study. Source: Own elaboration

When purchasing a home from a promoter, the buyer must pay the estimated purchase price based on a market study. It is assumed that for the purchase the buyer will request a mortgage loan, so the financial costs are added. A feasibility study has been carried out to ensure that the option to purchase the home at the estimated prices is a real alternative. The viability of the project depends on generating income above costs with a sufficiently high margin. That is, with a margin that is not less than the expected value in the sector. For this, the IRR of the project is obtained. In the case of access through the cohousing system, those interested in accessing housing must be cooperative members, so they must pay some fees to meet the payments derived from the purchase of the land and the building. Payments are settled monthly. Comparing both alternatives, several considerations have been made about the financing instruments. In the case of a construction by the promoter, it is considered that the project is partially financed with its

own resources and those of others. External financing comes from advance collections from customers, deferred payments to the builder and the bank loan to the developer. The advance payments of the clients amount to 20% of the value of the house. The conditions applicable to bank financing have been estimated based on market conditions at the time of the study. In the case of access through Cohousing, two types of fees are considered, an entry fee at the beginning of the project, which has been established as equivalent to the total amount of advance payments to the promoter in the private regime, and annual fees. For the payment of the initial amount, the cooperative members have requested financing through a loan from an ethical bank. To simplify the case, it has been considered that the applicable financial conditions, such as interest rates and commissions, are the same as those established in the loan to the developer.

#### 4. RESULTS

The following differences between cohousing and the more traditional access consisting of buying from a promoter stand out: 1. In the promotion, buyers must contribute 20% of the price as advances, in the cohousing system it has been considered that the payment will be the same but it will be returned to the cooperative member if he loses said condition. 2. In the traditional model, a loan for the value of 80% of the housing is requested from the bank and the obligation to pay the entire amount is signed. In the cohousing model, the loan will be requested by the cooperative to finance the costs of promoting the property. This loan will be distributed in fees to the cooperative members, as established in the statutes of each cooperative. 3. In the case of the traditional mortgage, there is an obligation to pay the entire loan. In the cohousing model, the cooperative member does not have a personal obligation with their fee. That is, if at

a given moment that person wishes to stop being part of the cooperative, they would not have the obligation to pay that loan, but it would be assigned to the person who would replace them. 4. In the traditional model, neighbors will be the ones who decide, through their vote, the changes that occur in the property. In the cohousing model, a full consensus will be sought among all the cooperative members, being able to decide in the way they consider appropriate, as established in the statutes of each cooperative. 5. In the traditional model there is always the possibility of selling the property. The value of the home depends on the market situation at the time of sale. In the cohousing model, the cooperative member is not the owner of any property but of a share in the cooperative. In the case of leaving the cooperative, the initial contribution will be refunded plus its increase on the Consumer Price Tax (IPC) as established in the statutes of each cooperative. 6. In the case of death, in the traditional model, heirs will have to face a series of payments derived from the taxes related to the inheritance of properties. In the cohousing model, heirs must decide if they want to live in the house or if they prefer to leave the cooperative. In the second case, they will recover the initial investment of the deceased plus their increase in the annual CPI from the contribution as established in the statutes of each cooperative. 7. In the case of possible defaults, in the traditional model, it can lead to the seizure of the property by the debtor bank. In the cohousing model, the cooperative can contemplate several solutions, from distributing part of the debt among the remaining cooperative members to requesting the withdrawal of the cooperative. This situation will vary in each cooperative since each one will have its own statutes and its way of resolving it. 8. In the traditional model, housing reforms are carried out without requesting permission from the community. In the cohousing model, it will be the cooperative that decides the magnitude of the reforms and whether or not permission

should be requested, according to its own statutes. 9. In the traditional model there is no legal limit of people who can live in the house, in cohousing, the cooperative will decide in its statutes if it establishes any limit 10. In the traditional model one can be absent from the home indefinitely. In cohousing, the cooperative will decide how to act in case of prolonged absence as established in its statutes.

After identifying the qualitative differences between both models, we proceed to compare the access costs for the future resident in each of the cases.

COST OF BUILDING	
Soil	4,123,883 €
Building	6,899,542 €
Additional construction costs	137,991 €
Project costs and construction management	558,288 €
Building License and Fees	258,733 €
Deed expenses	296,055 €
General expenses	873,882 €
<b>TOTAL OPERATING EXPENSES</b>	<b>13,218,212 €</b>

Table 1. Estimated building costs. Source: Our own elaboration

Based on the previous building costs, we compare the costs that future residents will have to face in each of the two cases.

In the case of traditional promotion, to determine the cost of acquiring the home, we base it on the purchase price that has been obtained from the market study. The estimated prices have been the following:

1. Pack 1 (housings 1 room): 143,303 €
2. Pack 2 (housings 2 rooms): 178,903 €
3. Pack 3 (housings 3 rooms): 238,011 €

From the prices derived from the market study and the buildability for each type of use, the estimated income amounts to 17,477,634 euros. The gross margin on sales, without considering commercial and financial costs, is 24.37%. The following external financing instruments have been considered to determine the profitability of the project: customer advances payments are established at 20% of the price of the housing, mortgage loan whose available capital amounts to the cost of construction and deferred payments for construction 60 days. The profitability of the project, calculated from the Internal Rate of Return after taxes (IRR) amounts to 19.33%. With these results it is confirmed that at the estimated prices the project is feasible for the developer.

The cost for each buyer includes advance payments of 20% of the purchase price and the cost of repaying the loan, capital plus interest. It is recalled that the capital amounts to 80% of the price of the house and the interest and the loan has a duration of 20 years.

In the acquisition, the price paid to the developer is the cost of the investment. In the case of cohousing, cooperative's expenses, which cooperative members will have to pay, are those derived from the acquisition of land plus construction. In addition, they must pay the maintenance costs of the building in the proportional part that corresponds

	Customer advance payments	Total cost of the loan	Total cost of the housing
Housings 1 room	28,661€	159,571€	188,231€
Housings 2 rooms	35,781€	199,213€	234,994€
Housings 3 rooms	47,602€	265,031€	312,633€

Table 2. Cost in the case of access to the property by acquisition the housing from the developer. Source: Own elaboration

to them. Among these, maintenance costs, lighting costs and reforms are distinguished, in addition to the payment of the tax derived from real estate. In the case of the purchase from the developer, the owner will also have to face the maintenance costs of his housing and must participate in the expenses derived from the common areas. In both cases there are operating costs beyond the building that can be considered similar, which is why at the time of comparison it has been decided to dispense with operating costs.

In the case of access through cohousing, the entry fee to the cooperative is considered a payment equal to the 20% advance payment that buyers must pay in the event of acquisition. Secondly, the cooperative members will have to request a loan to cover the expenses of the project, which must be paid during the 3 years that the lasts. The loan will be requested from Ethical Banking. For the loan, conditions have been established

in terms of duration and interest rate equal to that of the previous assumption.

If we compare both assumptions, it can be seen that the cohousing model represents cost savings of over 27%, (see table 4).

Although differences between the two assumptions have already been discussed, when we focus on payment we must take into account two more considerations. In the first place, in the private model it is necessary to make the payment of the amount according to the conditions requested by the promoter; In the cohousing model, before starting, a group will be created to approve the community statutes, where the form of access to the cooperative will be decided. As a second difference, we highlight that in the traditional model, there is always the possibility of selling the property, its value being defined by the market situation at that time. In cohousing, the cooperative member is not the owner of any property but of a share in the cooperative.

	<b>Initial fee</b>	<b>Total cost of loan</b>	<b>Total cost of the housing</b>
<b>Housings 1 room</b>	<b>28.661€</b>	<b>107.239€</b>	<b>135.900 €</b>
<b>Housings 2 rooms</b>	<b>35.781€</b>	<b>131.946€</b>	<b>167.727 €</b>
<b>Housings 3 rooms</b>	<b>47.602€</b>	<b>174.187€</b>	<b>221.789 €</b>

Table 3. Cost in the case of access to the property through cohousing. Source: Own elaboration

	<b>Cost difference</b>	
	<i>Amount</i>	<i>%</i>
Housings 1 room	52,331 €	27.80%
Housings 2 rooms	67,267 €	28.62%
Housings 3 rooms	90,844 €	29.06%

Table 4. Cost differential between the two assumptions considered. Source: Own elaboration

In the case of leaving the cooperative, the initial contribution will be returned to them plus the increase of said amount based on the CIP and as established in the statutes of each cooperative.

## NOTES

<sup>1</sup> Fourier, C. El Falansterio. *La utopía de la felicidad social. Selección de la publicación original: El mundo industrial y societario*. Barcelona: Marge Books, 2018.

## 5. CONCLUSIONS

In the various countries where it is present, cohousing is considered a solid option for part of the population that does not want to own a housing or chooses to share their life with a community related to their interests with whom they can share tastes and hobbies. From the first cohousing in Denmark to the present, more and more people are interested in this option, and there are currently several communities in Spain. In addition, this assumption has turned out to be cheaper than through the private model, facilitating access to housing for people with lower incomes.

The results of the studies carried out indicate that access through the cohousing system compared to access through purchase from the developer represents savings of over 25%. In the study, carried out on a building plot, three types of housing have been considered, the results obtained show that for one of the cases the cost through cohousing represents a saving of 52,331€, 67,267€ and 90,844€ respectively. In percentage terms, 27.80%, 28.62% and 29.06%, respectively.

Although the purpose of the following article is to compare the access costs for a future resident in the two cases considered, it should not be forgotten that there are important differences beyond costs. On the one hand, the fact of accessing the property is something deeply rooted in the culture, on the other hand, we also find important differences in the fiscal aspects, especially in the transmission by inheritance.

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