

The oldest solution to the housing crisis

With the housing inventory shortage a major driver of inflation, communities are searching for solutions. One approach includes preservation of existing affordable housing, like Sequim's recent mobile home park redevelopment moratorium.

Moratoriums are a fine form of "time out" but like any other quick solution, moratoriums generally make the problem worse in the long run. You might be surprised to learn that there is a potential permanent solution waiting for us, found in our early history.

The solution is the age-old concept of housing co-operatives, or co-ops. In a housing co-op, the residents of a multi-family housing facility or mobile home park become the owners of the properties in which they live.

The history of co-ops is shrouded in mystery. Some say the idea of a co-operative business model started with bakers in England, others say French weavers, others, with Japanese pacifists.

Wherever the concept of a co-operative started, it remains a powerful but little understood business model today.

Over the last 20 years, when a co-op buys a property the results have been universally positive.

Resident-owned communities, or ROCs are proving to be a reliable option for lenders and residents. **None of the more than 300 housing co-ops formed under a national ROC umbrella have defaulted or closed.**

"Housing co-ops have a 100% track record of success, which tells you that it's working for residents and lenders," according to the Lincoln Institute of Land Policy, a Cambridge, Massachusetts, think tank. "Resident ownership is an absolute protection against the intrusion of big money developers in the residential real estate market."

Which is exactly what the Sequim moratorium is intended to do.

The oldest solution to the housing crisis

Part of the reason for the mystery surrounding co-ops is our business schools. In our early business classes, we are taught that there are three entity forms; corporations, partnerships and sole proprietorships.

Often, a lecturer will add, "Well, there are also co-ops, but you'll never run into one of those." and that's the last time you hear about co-ops in b-school.

In my case, I did run into one, and ended up working in an institutional purchasing co-op for almost 20 years.

The weakness of the co-op business model is its lack of adaptability. A corporate business model can be used to solve a wide range of business problems. A co-op can only solve a very narrow set of very specific problems.

The strength of a co-op is that the co-op business model can often solve problems *that can't be solved any other way.* Like preserving affordable housing.

The good news is that right here in Washington State we have the **Northwest Cooperative Development Center and Resident Owned Communities Northwest.** These organizations work together to help residents form housing cooperatives.

The short version is that residents form a co-op entity, elect a board, pool their resources and get a mortgage on the property they live in or on. Instead of paying rent, each resident pays a mortgage, accumulating equity instead of paying rent. The value of their residences increases with the rest of the market and individual residents can sell their units.

While little known or understood, there are already almost 100 housing cooperatives here in Washington state!

Resident co-op ownership is a win-win for both selling owners and buying residents. Here's why:

Resident owned communities give control to the residents, allowing homeowners to build equity and create long-term stability.

The oldest solution to the housing crisis

Simultaneously, resident co-ops provide the selling owner with a fair market price with timely and professional transactions.

Depending on state law, **owners who are interested in selling to residents can benefit from an exemption for state excise tax, and capital gains tax.** Additionally, since no residents will have to move, *owners can avoid paying any onerous mandatory moving fees.*

The Northwest Coop Development Center and Resident Owned Communities Northwest support homeowners and community owners by:

- Organizing the co-op and establishing a board of directors
- Arranging financing to the cooperative for pre-development work, purchase and rehabilitation of the property
- Training and support to the residents of co-op owned communities.

Now, some might say, “Well, that’s great, but where do we get the money?”

The Washington State Housing Finance Commission, in partnership with ROC Northwest and ROC USA, offers the financial tools and expert guidance for communities to become self-owned cooperatives.

<https://www.wshfc.org/mhcf/manufactured.htm>

<https://rocnorthwest.com>

<https://www.commerce.wa.gov/wp-content/uploads/2021/01/Manufactured-Housing-Workgroup-Report.pdf>

For more information on resident-owned, manufactured housing communities, please contact ROC Northwest at 360.943.4241.

Next week, Art as a business. We have a wide range of talented artists here on the North Olympic Peninsula. Some of these artists might like to earn money with their art. I’ll cover the basics and share some failures and successes next week!