

Social Cooperative “WESTAY” in S. Korea: Bold Innovation Today

Future Path for “WESTAY” Informed by Quebec & BC Housing Cooperatives

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Objective

WESTAY is the first apartment building cooperative in South Korea. This paper begins by explaining the innovation and creation of the cooperative member community. The authors examine the entrepreneurial agility of WESTAY’s leadership within their affordable housing complex and with their external stakeholders. To address the challenges that WESTAY face ahead of them, the second part of this paper offers possible future paths informed by two Canadian cooperative examples. It is clear, that WESTAY has built a unique skill set in its single project cooperative. Does WESTAY have a model to follow to enjoy both skill and scale? Does WESTAY have a path to expand its cooperative entrepreneurial impact on community?

Conceptual Approach

First part examines the key dimensions of WESTAY and explains why it is a useful model for the whole country of Korea, indeed for the whole peninsula, to expand community well-being with stable access to affordable housing. In the four areas of focus, the authors stress the unique innovation for South Korea and the specific skill set to mitigate the risks in: business plan, social cooperative, community structure, and community centre.

With the luxury of time - WESTAY founded in 2016 and occupancy in 2020 - has been able to devote resources upfront with intentional building of cooperative community centrality among perfect strangers at first attracted perhaps only by attractive housing costs. With this 4 year gestation period, it is obvious that WESTAY leadership has a unique skill set. WESTAY is a hidden asset, with an entrepreneurial ability like no other social housing agency in Korea.

The second part of the paper invites insights to address WESTAY’s stated challenges. Two possible paths are based on:

- QUEBEC based SOLIDES, non-profit social housing development agency,
- British Columbia Fraserview Housing Cooperative, largest non-profit in housing in BC

For example, all cooperatives face the challenge of cohesive member participation and here WESTAY can inform the Canadian counterparts by its upfront creation of community. WESTAY has

raised tenant turnover as future challenge. Here, Canadian housing cooperatives with their long history have mitigated many of these risks (such as securing back-up financial capacity from caisses populaires/credit unions). Does the future path for WESTAY envision expanding its impact informed by these two Canadian institutions that are dedicated to provide affordable housing?

Innovative & Massive Experiment – WESTAY Cooperative Apartment Buildings

In the South Korean province of Gyeonggi, in the city of NamYangJu, there is a social housing cooperative named WESTAY, which is the first housing cooperative in a village community in Korea. While small-scale housing cooperatives were always in existence, a cooperative apartment building complex is the first such social cooperative. In a city with a population of 70,000, WESTAY will operate 491 housing units in 5-6 buildings on one site in the district of Byeollae. [1]

The social cooperative aims to build an inter-generational residential community. It is a futuristic residential experiment that does not limit itself to the view that apartments are only a means of accumulating wealth nor does it confine its residents to the sterile spaces inside the walls of an individual apartment unit. WESTAY has put the “Need” and the “Values” of its cooperative members as a priority to enable the residents to achieve affordable housing and create their own dignity in a community.

WESTAY, the first cooperative apartment building development in South Korea, was launched in 2016 when it received approval to be the operator under the authority of Ministry of Land, Infrastructure, and Transport.

- In 2009, new city of NamYangJu construction began based on a comprehensive plan
- In 2017, April, first stage of WESTAY cooperative member recruitment (123 approved)
- In 2017, May, founding general meeting takes place establishing WESTAY as a cooperative
- In 2018, April, official ground-breaking ceremony and construction begins on apartments
- In 2018, June, WESTAY showcases model housing and displays finished apartment unit
- In 2018, August, second stage of coop member recruitment is completed (intergenerational)
- In 2020, occupancy of WESTAY apartment building expected with all 491 units occupied

The physical attributes in NamYangJu are– a 2nd generation planned city: transport (easy access to Seoul via expanded subway metro (lines 4 & 8) and new entrance/exit to the expressway joining Seoul; and, infrastructure (attractive green belt spaces among the housing cooperative and private condominium buildings); as well as, educational and commercial facilities gradually moving into the area.

The financial attributes of WESTAY are: that the land is leased by the cooperative (attributed savings of \$10 Million USD); that the construction design avoids unnecessary luxuries found in condominiums (attributed savings of \$8-10 Million USD); and, that the developer has agreed to a cost-to-complete contract (lower risk given 100% pre-lease). These cost savings enables the monthly rents to be about 80% of the market. Examples of monthly rents at WESTAY are: studio (60m²) for \$290 USD, one bedroom (74m²) for \$375 USD, and two bedroom (84m²) for \$400 USD.

The key feature of WESTAY, however, is the decision by the leadership of the apartment cooperative to focus on development of a community spirit among the prospective members it has signed up in two phases: 123 in April, 2017 (seen as cooperators) and about 370 in August, 2018. WESTAY has already provided education seminars on rights and responsibilities of members of a housing cooperative. There have been over 40 meetings chaired by a facilitator taking prospective members through three levels: cooperative principles and community construct; administration and collaboration for problem-solving as a cooperative council; and leveraging WESTAY physical plant and personnel to serve the community at large. [2]

The unique features also come with unique challenges for WESTAY and its cooperative members. These challenges reflect an institutional setting that is based on private strata title ownership in apartment buildings. (condominium model). The cooperative form of apartment building ownership and the social finance availability are not robustly developed in institutional or regulatory forms in South Korea. The last part of this research paper explores possible avenues to address the matrix of WESTAY's worries.

Financial Model of WESTAY in Byeollae: Deferral of Market Value

In South Korea, one can adjust monthly rent by raising or lowering the deposit paid upon entry. Of course, this feature provides flexible access across generations as some may have more savings, while some others may have more income. The reason why WESTAY can offer such an affordable supply of housing is that the land is not purchased by the construction company, often inflated for risk-taking and return to owners. The construction company, as already noted, is required only to finance the construction cost as the land is leased from the government by the cooperative.

Type of unit (m ²)	60	74	87
Deposit (incl. coop shares USD)	\$106,288	\$124,003	\$132,860
Monthly rental fee (USD)	290	375	400

The first phase of WESTAY coop residency from 2020-28 provides a stable state under a mandatory lease term with WESTAY's upfront engagement to form a community as well as a cooperative housing complex. In addition, one pays 80 to 90% of the market rental price in WESTAY as a result of DeoHam social builder model (cost savings in design with community consultations embedded in blueprints and construction). The lease period is 8 years, hence with this form of social innovation in the residential sector the 491 households can live without worry about having adequate income – for affordable rent, for proper nutrition, for primary & secondary education – all positive externalities accruing from access to affordable housing and a cooperative community. [3]

The government lease arrangement is merely a deferral of the full market appraised value, being 20% of land cost financed by WESTAY initially. At the end of the 8 year lease, WESTAY must finance the remaining 80% of the land cost, indexed to any market appreciation. The government has NOT given any value to the positive externalities accruing to the state from access to

affordable housing. Even the management service company (Korea Land Trust) treats WESTAY as a commercial enterprise subject to market tariffs.

WESTAY, under the current financial agreement, faces a dilemma. Unless it can access non-member capital markets (equity investor patient capital, banking system debt financing), it is forced to ask its coop housing members to incur added debt to come up with the cash for the payment in 8 years time.

Financial Model of WESTAY in Byeollae: Difficulty for Coop Housing Members

The logic of this deferral appears to be perception that a cooperative housing project would be favoured if any market value concession or subsidy were to occur. That logic at the municipal or ministry level is understandable as positive externalities arising from access to affordable housing occur over time, rarely visible to one term political regimes. [Health costs are lower if children are given proper nutrition and early childhood education - parents have a better chance of having sufficient income in affordable housing situations.] [4]

The current situation that WESTAY faces is to depend on its member households to individually borrow additional debt to repay the 80% lease payment in 8 years time. This would be in addition to the debt many WESTAY members incurred already prior to occupancy to come up with the required cooperative housing membership share (USD \$25,000) and required rental deposit (USD \$100,000 to 250,000). Then you must add the rent to these two debts to service from after tax income of each household.

The concern for WESTAY model is evident: Demanding 100% financing by the first group of occupants of WESTAY implies – most likely scenario – an excessive indebtedness for the 491 original households in coop housing complex. By relying only on coop members to absorb the added debt, there will be less disposable income after tax, after rent, after all indebtedness – hence defeating the purpose of access to affordable housing. The burden to pay off the land lease in year 8 may reduce the living standard of each coop member household. [5]

This risk can be addressed if the financial market structure and financial regulatory regime allow for financing of cooperative housing via the banking system. Early stage social finance infrastructure is emerging in S. Korea since “in order for social finance model to settle as an independent and sustainable economic system, it is critical to build related hardware. [6].

Two examples are:

1. Social Economy Fund launched in November, 2017 after foreign validation at KDI seminar in Seoul.

This fund provides USD \$450 million in guarantees and invests up to USD \$90 million on a matching basis from credit union and civil society funds. It has a maximum term of 5 years – making it difficult to financing real estate/housing projects.

2. Social Value and Solidarity (SVS) Foundation launched January, 2019. SVS Fund is USD \$265 million, 1/2 government funds matched by an equal half from mutual credit and commercial banks. The plan is lever SVS Fund with further matching of another USD \$265 million with a

“cooperation fund”. Prospective participants also include retirement funds, local government funds, and civil society contributions. [7]

Perhaps in the next 8 years – before WESTAY members are forced into added debt to repay the 80% of land lease – the policy and financial framework will mature in Korea to allow for 100% financing of affordable housing with characteristics similar to those in Canada (see Appendix):

- 0% requirement for coop members to incur debt/guarantee debt; only rent payment by coop members

- 100% financing (25% by patient equity funds; 75% by regulated banking lending; repaid over 25 years)

Public Social Private Partnership (PSPP) – Innovation of Governance

When public resources - like an advantageous land lease – are provided to a civic or not-for-profit entity, the value (or rent extraction) should be reclaimed by the public. In some jurisdictions, housing cooperatives can be either an owner cooperative or a renter cooperative. An owner or equity housing cooperative is one where its members can sell the building to the market – and keep any gain on sale to distribute among its housing cooperative members. A renter cooperative is a not-for-profit and a fully fledged mutual organization where on wind-up any gain on sale must be transferred to another not-for-profit. [8]

WESTAY would benefit most if it were clearly and legally set up as a renter cooperative – no personal gain possible from future sale of the apartment building complex. Stating to its members and to its stakeholders – the municipal and national governments – that any gain on sale in the future would be transferred to a non-profit organization or non-profit housing cooperative, this clarity would enable the local government to support favorable terms to enable WESTAY to function at its higher social level. WESTAY would become part of the para-public policy fabric in NamYangJu, given its mutual-in-perpetuity designation.

WESTAY has created social value and public interest as well as raised issue of social justice in housing policy. So far, the social enterprise concept has been implemented in WESTAY combining dimensions of both private sector and public policy. Creating a conscious “Innovation of Governance” by bringing in dimensions of the private (purchasing suppliers), public (affordable residency), and social (member run operations), WESTAY has formed a PSPP – a partnership bringing together elements of the private, public and social. [9]

WESTAY is an example how a social enterprise can add more welfare value add from the increased supply of affordable rental housing with: reduced cost of land from a ‘land leasehold’ versus market price and easier construction finance given pre-committed tenancy recruited in two waves prior to occupancy.

WESTAY is not only about low rents. It is also about dignity and values in a social cooperative. The housing cooperative is modelling that living in an apartment and in an inter-generational community does contribute to the broader neighbourhood as well as create sustainable well-being of each resident or household in the apartment building. To achieve this, WESTAY emphasizes the self-governance civic opportunity and natural multi-generational mix. In South Korea, it is not too

late to relate to past 'village' models to rekindle a shared community zeal (mutual respect). However, it takes leadership – undertaken by WESTAY – to transform the dominant individualistic perception in home ownership to that of a sustainable community bond, based on a somewhat traditional idea.

From the very first development stage, WESTAY is reducing construction costs through member stakeholder/member shareholder participation. This housing cooperative can be called a 'proactive-productive community' in as much as its members are themselves engaged throughout the construction process in steps such as pre-design of space and building materials. Rather than individualistic design for self-space, the member driven process has expanded physical square metres allocated to common space under a vision of community life.

WESTAY cooperative has also developed a Community Activation Development Program (CADP) which specializes in community education. To-date, 85% of cooperative members have received this education. This program is beyond simple operational education. Community-minded education encompasses upfront skill building on decision-making, three stages of community formation, time bank for volunteering, and the inter-related dynamics of individuals forming a more cohesive and trusting network. Village-like participation invites small circle groups, rather than a full assembly of the future occupants of the 491 housing units. By sharing their individual stories, this CADP process breaks down anonymity and creates trust among them – the foundation for future problem-solving within their social network and their physical apartment complex.

WESTAY is DeoHam's cooperative housing brand which "rebuilds the fundamentals of living, connecting space to people." [10] WESTAY is still unique in South Korea, however, with the socially responsible construction firm DeoHam, it has built an equally impressive entrepreneurial ability as it proves the viability of an apartment building cooperative complex across the following dimensions:

- reliable social real estate developer (in DeoHam Company being cost efficient)
- secured affordable housing with land lease (in conjunction with Ministry of Land)
- activated tenant members as operators/activists (residents educated re activism)
- engaged build of cohesive community outside its walls (attract others to its library, centre)
- build physical capacity of common space to match outreach (community facilities bigger 3X)

WESTAY benefits from support of various levels of government – both federal and municipal. Its job creation has access to wage subsidies from the Ministry of Employment. WESTAY is aligned with the Centre for Social Economy operating in NamYangJu in the area of community enterprise. The cooperative is also seeking to form an alliance with CSR values-aligned business and community funds.

Securing Affordable Housing & Operating Sustainable Community

WESTAY housing cooperative is experimenting with both residential apartment housing and community activism among its members – two years before the housing cooperative members

actually move-in. As noted, the cooperative has undertaken a Community Activation Development Program (CADP) focused on community education.

In South Korea, as in Canada, the dominant culture remains private ownership and personal gain. Residents in Seoul purchased the largest number of apartments in Gyeonggi province in NamYangJu in 2018. Among the next wave of 3rd phase of new towns, government is considering providing collectively about 200,000 households with new apartments through the Gyeonggi property development project. The transportation links between Seoul and NamYangJu speak volumes for the strong interest from private ownership. [11]

WESTAY stands apart from other developers. WESTAY and its supporters in local government, are forcing a discussion to have people evaluate their own individual privilege with their shared social responsibility – to weigh personal need against community interests. Members of WESTAY that have signed up in two waves (2017, 2018) self-identify that their primary interest was good location of the apartment knowing there would be limited rent increases over their 8 year lease. With the majority of members aged between 30 and 50 years old with 2 or 3 family members per household, financial pressures regarding access to housing are understandably a prime pain point.

Faced with the dominant culture and dominant motivator – both non-cooperative consciousness – WESTAY's cooperative leadership team have invested heavily in upfront member education and community experiments. In addition to the usual governance flowing from cooperative members to member-elected Board of Directors with an Audit and Administration sub-structure, WESTAY has created the following four community impact committees:

- community vitalization committee (defines community programs)
- community business committee (outreach to local businesses)
- community education committee (target members re basic coop education)
- community regional committee (networking with values-based entities in the social and solidarity economy)

Unlike any other housing cooperative, WESTAY is engaging its future member residents three years before occupancy (2020) with facilitated seminars that seek to shift awareness from minimalist self-interest to champion community and be a catalyst in the broader neighbourhood for leadership and support of social/solidarity economy. An internal focus to build harmony was organized around three levels:

- I – obligations of members in operation of housing cooperative, recognizing outreach to community as a synergy of its 491 unit base
- II – awareness & recognition of problems arising in course of tenancy, ability to address issues via discussion & consensus building to resolve within membership
- III- intentional outreach with non-cooperative stakeholders, step into the outer village space beyond physical apartment building to build scale and social impact

These seminars, attended by 85% of WESTAY future residents, were facilitated by professionals skilled in team building and group dynamics. With proper education of basic relationship building

(60 hours), the group then transitioned to problem-solving and retaining relationships with conflict resolution (20 hours). A select group were further schooled for another 90 hours on how to mediate conflict and heal rifts in order to work together to restore a bond/balance among the residents. As noted, pre-occupancy focus has established a conflict resolution framework based on cooperative principles (mutuality is paramount) and based on building trust within the cooperative (facilitated small group discussions).

When WESTAY's cooperative households take occupancy sometime in 2020, it will be important to track the permanence of this educational investment in a community-minded cooperative paradigm. It is paramount that WESTAY membership transition from rental advantage to a community frame that can integrate positive effects beyond self-interest of single tenant, beyond small group tenant advocacy, and embrace a commons integration of the neighbourhood interests at the same time as operate the apartment cooperative building.

Physical Capacity for Community Based Impact

Cognizant that WESTAY only represents 491 units in the neighbourhood of Byeollae with over 3,000 condominium units within walking distance, the leadership of the housing cooperative designed adjacent to the apartments a physical space in a separate building with ground level and mezzanine that is 2.5 times larger than required by the statutory building code for apartment building complexes. This library & community centre amenity will serve as a hub for community services offered by cooperative members both volunteer and paid positions.

Building a community often involves bringing people together around an issue in opposition (climate change/recycling) or in need (child daycare). Theorists and practitioners of the Saul Alinsky school of community organizing, recognize people will unite around a common issue. John McNight at Northwestern University in Chicago (Asset-Based Community Development Institute) recognized that the more issues are raised and greater variety of gathering is created, the higher the probability that people will congregate as a community in a physical setting. WESTAY seems to manifest this theory with its community centre concept.

"McNight observes that some people will answer the call to rally around a particular issue voiced or service offered. Some people will turn out for work parties or to pitch-in on a particular project in the neighbourhood sponsored by the community centre. Others will be attracted by social or festival events or kimchi-pickling in season. The more activities an organization uses, the more broadly based its membership will be. And the more broadly based the active membership, the more power the organization will have to address whatever issues matter most". [12]

As Saul Alinsky noted in "RULES for RADICALS":

"To give people help, while denying them a significant part in the action, contributes nothing to the development of the individual. In the deepest sense, it is not giving but taking - taking their dignity."

"Self-respect arises only out of people who play an active role in solving their own crises and who are not helpless, passive recipients of private or public services." [13]

So two years prior to occupancy in 2020, the members of WESTAY are participating in the design

for the community centre housed in their apartment building. The members who are interested in the specific dimensions or areas of interest can participate directly in design and decisioning to define suitable and sustainable elements for the centre. Members' opinions on space, benchmarking, or blueprint, are gathered via questionnaires then posted and further views are posted – all in an effort to gather diverse opinions, move to consensus. WESTAY's intentional invitation for members to participate speaks to the potential to create a common consciousness in community participation and community perspective.

A possible template of activity has been discussed and presented running daily programs from 7:30 am (shared kitchen for breakfast) through child daycare (10 am to 4pm) finishing with a community café after 9pm. WESTAY have a comprehensive view of future activities, too numerous to list but definitely designed to make WESTAY community centre an attractive gathering place for all of Byeollae residents. Over a 9 month period in 2018, members provided input on the design of WESTAY's community centre in 44 meetings, bringing together 385 participants – and using social media leaving 35 posts that received 900 views.

Creation of 100 Suitable Jobs via Social Economy

The WESTAY social cooperative is also committed to create jobs within its community centre. When social capital of trust is created connecting people both within the cooperative and outside in the community, addressing common needs, the power of this social capital can translate into the real economy via job creation. The skill set offered to WESTAY members for conflict resolution and problem solving can be turned outward to address broader community needs via the capacity of WESTAY's community centre.

Traditional model to staff a community centre is top down pushing institutional bureaucracy aimed at efficiency and repetitive design. WESTAY on the other hand offers an opportunity to get out of the fixed institutional thinking that limits itself to services defined by the state with government salaried structures. WESTAY is following the community organizing model of the Chicago School noted above engaging activists at the ground level to define appropriate/relevant activities mapped to the potential of member time and ability. Mindful cooperation can better solve community needs than merely pursuing what money can buy. [14]

Appropriate jobs can be expected to be created in a variety of fields, such as daycare centres, communal kitchens, extended childcare, after school activity centre, and moving into trades such as beauty/hair salon, small appliance repair. Recall, that the essence of an inter-generational community is the gift of diversified mix of talent, time, and ability. The job creation intended – target of 100 – is a natural byproduct of member engagement -whether mentoring for free or on an hourly wage.

As the social capital of trust begins to grow in the community, more needs/services will be identified creating further roles defined at the ground level – with appropriate design and placement. It is possible that there will be further segmentation in the future, tailoring of more roles and more jobs. There may be a multiplier effect that expands cooperative employment within the neighbourhood and region.

Finally, as one reflects on the early success and excellent innovation of this social cooperative,

there is an obvious synergy to cooperate and be in solidarity with the broader social cooperative community. The model of WESTAY in NamYangJu is very inspiring. It would be very satisfying to WESTAY scale up its unique entrepreneurial capacity – as a role model for the whole of Korea. Access to affordable housing is a means to expand community well-being. [15]

WESTAY Current Challenges: Future Path Informed by SOLIDES & Fraserview Housing Cooperative

The four key challenges WESTAY has listed today are: [16]

- Expansion of their model; is it restricted?
- Community education challenge; can they go it alone?
- Legal & financing for a cooperative: is it functional today?
- Takeout financing & Tenant turnover in 8 years; is it over then?

The authors discuss each challenge and draw upon the experience in Canada of two not-for-profit mutual who are of equal size to WESTAY. While the institutional framework that supports housing cooperatives in Canada is more mature, in the Appendix on SOLIDES [17] and Appendix on Fraserview Housing Cooperative [18], the Canadian baby steps are highlighted. A full institutional revamp in South Korea has already been identified in the space of Social Finance to support the social economy [19]. To enable WESTAY to raise both social impact and housing scale, the authors here do not see it as a necessary condition that a full institutional revamp occur first.

Expansion of WESTAY model is appealing from an impact and scale perspective. At the moment WESTAY is restricted to operate the one development of 491 units made up of 5-6 apartment blocks and a low-rise community centre and library. As explained in the Appendices, one housing cooperative can operate many buildings and a government can create a master agreement that enables new land leases to be added to a trust rather than passing through municipal hurdles of hearings and separate approvals or permits for additional cooperative housing developments.

For sure WESTAY has built a unique data base and intellectual capital base with its preparatory meetings in the field of cooperative education and community vision. Most of our Canadian examples show that education needs have to be centralized to scale and cost concerns to be able to feed the individual cooperatives that set up in future years. WESTAY has a unique skill set that may be offered more broadly within Korea or even on a fee basis exported under an educational license.

In Appendix B the authors outline the early framework under which housing cooperatives formed and the current more robust and inter-linked framework of legal congruity with financial capacity alignment all broadly supported by a network of city planners, construction contractors, lawyer and notary approvals, and compliant coop member governance under the legislation governing mutuality and potential gain on sale. WESTAY faces an institutional setting that is still emerging.

In summary, the table below offers a possible perspective on WESTAY's self-disclosed challenges. Can this preliminary research enable WESTAY to expand its scale? To encourage WESTAY's entrepreneurial expertise to spread its wings wide? To confidently advocate the cooperative housing model across Korea? Can this early engagement enable WESTAY to change its stars with

the international friendship in Canada that enables WESTAY to choose to fly higher together?

	<i>Current Challenges</i>	<i>FUTURE PATH</i>
1	Expansion of model, Restricted (Single building site permission) <ul style="list-style-type: none"> - Original Structure with Gov't. share at (80%) - Absence of portfolio of coop housing projects - Physically impossible expanding adjacent building (development site fixed number of apt. blocks) 	* BC-FH Coop managers multiple buildings, as 1 Coop, supported by land lease from city * SOLIDES buys buildings as sole proprietor, has over 30 buildings in its name
2	Community Education (Comply with cooperative laws) <ul style="list-style-type: none"> - 25% (total 491 household), coop recognition vs 75 % motivated by below market price - too large group (491 units) to form neighborhood 	* BC-FH Coop has support from CHFBC for education * SOLIDES enables tenants to form cooperatives
3	Legal & Mortgage Notarizing (Legal system not set-up for coop) <ul style="list-style-type: none"> - Impossible to use deposit as fund - Only allow Non-profit activity - Absence specific legal entity by law 	* BC-FH Coop uses community land trust – City of Vancouver land lease model * SOLIDES sole owner of buildings with commons focus; non-profit can own buildings
4	Tenant Turnover (in 8yrs) (Cash flow & Community Risk) <ul style="list-style-type: none"> - Absence of tailored, patient loan for coop - Speculation market price - Coop share exchange transfer gain - Absence of Partnership with Credit Union 	* Both Cdn housing cooperatives have turnover risk, mitigated by attractive affordable housing * Financing in SOLIDES & BC-FH Coop is 100% from capital markets/bankable forms * Both Cdn coops have 0% additional debt required by coop housing members; rents cover debt servicing amortized over 25 years or more

WESTAY's pragmatic challenge may well be what happens in 8 years and how in 8 years time will it repay the government the 80% of the future appraised value of the lease, without added debt to burden coop members. WESTAY's everlasting contribution may well be its patient build of human capital and an entrepreneurial cadre capable to take on another development, now and over the next 8 years at least.

APPENDIX A - SOLIDES based in Quebec

In Canada, in the province of Quebec, SOLIDES is an actor inside the social and solidarity network – Chantier d'économie sociale based in Montreal. SOLIDES is a registered charity established in 2000 by Comité Rive-Sud Logement (south shore tenants committee). It is a not-for-profit organization set up to promote tenants' rights and to develop social housing. The main purpose of SOLIDES is to increase the number of tenants that have access to quality housing at an affordable cost.

SOLIDES is an acronym that stands for “La société locative d’investissement et développement social”. (Society for investments in rental and social housing). It is both an investor/property manager and a social activist. For example, as it acquires and renovates apartment buildings in favour of low-income renters, it also encourages the tenants in a building owned by SOLIDES to take the initiative around maintenance and repairs of their building by enabling tenant cooperatives or other not-for-profit forms effective to this tenant community – on a building by building basis. [20]

SOLIDES has used two primary strategies to differentiate its properties from privately owned for-profit buildings. The first strategy is to purchase private buildings to optimize building management costs and reinvest cost savings into improving and upgrading the quality of the acquired building. The second strategy is the purchase-renovation of residential buildings with aid of Quebec government’s housing program AccesLogis. Both strategies lift the appraised market value of the apartment buildings, create added equity which can then be used to finance leasehold improvements or to purchase additional properties.

SOLIDES operates primarily in the city of Chateauguay (population 48,000) just south east of Montreal. It is currently the second largest property owner in this city. Among the buildings it owns, 8 were acquired without the benefit of any government program/subsidy and 4 were eligible under a provincial government subsidy targeting upgrades to existing rental properties (AccesLogis). Twenty years ago SOLIDES began with \$50 CDN dollars. Their first building 100% financed – 25% was a guarantee from the city of Chateauguay. This city government guarantee enabled a loan at favourable interest rates for the remaining 75% which in turn is often guaranteed by the federal agency CMHC. The debt payments were adequately covered by the rents in that first building acquired. Today, SOLIDES’ real estate portfolio has an estimated market value of \$35 million dollars CDN.

SOLIDES has a primary financial relationship with the credit union Caisse d’économie solidaire in Quebec who is a member of both GSEF – Global Social Economic Forum – and GABV – Global Alliance on Banking on Values. The Fiducie de Chantier d’économie sociale as a founding member of GSEF is also a financially to SOLIDES. More recently patient capital funds targeting impact have joined SOLIDES (such as New Market Fund and Community Forward Fund). [21]

SOLIDES provides rental accommodation with 460 units in Chateauguay (a total of 540 units with 40 different buildings). It provides rental units to low income households saving each tenant an average of \$1,680 dollars CDN per year or more than \$700,000 dollars CDN per year in total. SOLIDES’ impact also creates access to safer, better managed housing, often using “anarcho-conceirges” volunteers for maintenance work – from the student population. A variety of community organizations and health networks interface with SOLIDES’ tenant groups.

Community impact – as measured by characteristics of tenants in buildings owned by SOLIDES – reflects low-income workers, welfare recipients, young people for whom it is their first apartment, pensioners, single parents, new comers to the province, and people who are discriminated against (LGBTQ, indigenous people). SOLIDES also partners on a regular basis with two women’s groups and also runs a youth centre rented to partner organization. Finally, SOLIDES participates in various coalitions of community organizations (such as Chantier d’économie sociale).

Social activism is a trademark of SOLIDES going back to the mid-1990s when its founders were

active in tenant associations lobbying for Quebec to continue AccesLogis . The provincial agency Societe d’Habitation (Quebec’s housing agency) saw the federal government withdraw from building social housing and affirmed its AccesLogis program to maintain a minimal supply of affordable housing.

SOLIDES builds social engagement, self-respect and dignity among its local maintenance staff/tenants., and has an amazing social media enabled network of volunteers (students called anarchist-conceirge) who often show up to help shovel snow off the sidewalks or shoulder heavy lifting in property clean-ups (wages paid through government job creating subsidies).

In 2016, an impact study on SOLIDES was published by the independent research centre IRIS in Quebec. SOLIDES was shown to generate direct and indirect employment of 22.8 (double its direct salary base) and contributed \$2.2 million dollars CDN to the local economy, net of any subsidies. The study is available on www.solides.info/publications.html . [20]

APPENDIX B – FRASERVIEW HOUSING COOPERATIVE (FHC) based in British Columbia

Created in July 2014, Fraserview Housing Cooperative (FHC) became British Columbia’s (BC) largest and newest cooperative to provide affordable housing in a cooperative structure. At its current level of build-out (occupancy of final units in 2020) FHC will have about 420 units under its management with its members. Recall that SOLIDES has about 260 units in the city of Chateauguay and WESTAY has 491 units in one building in NamYangJu.

FHC Coop is being built in three phases, via a unique master agreement regarding a land lease and FHC also brings together regulated and non-regulated financial institutions into its financial mix. It is a rental cooperative bound by BC legislation that mandates that any proceeds from a wind-up must be transferred to another not-for-profit. FHC members cannot benefit from any gain on sale of FHC buildings. [22]

City of Vancouver has provided a 99 year land lease to enable creation of FHC affordable housing units via a master agreement called “Community Land Trust” (CLT). CLT Trust is a non-profit society serving the real estate development arm of Cooperative Housing Federation of B.C. (CHF BC). CLT Trust will acquire, create housing cooperatives under the experienced management of CHF BC. The CLT master agreement enables the City of Vancouver and CHF BC to have one legal business structure and simply pen new housing cooperatives (like FHC in 2014) as a specific partner inside the master agreement. This satisfies the autonomy inherent in member-owned housing cooperatives like FHC and the proven management capability ongoing role of CHF BC inside the CLT Trust. [23]

FHC Coop began with rental agreements, leaving community building and cooperative member cohesion to a later date. Education of new housing cooperative members, their responsibilities to the Fraserview properties and the relationship with other housing cooperatives in BC, is left to CHF BC (formed in 1982). The CHF federation has an education program to enable alignment of interests based on cooperative principles. FHC Coop also benefits from centralized maintenance and accounting services provided by CHF BC’s certified professionals – operating at scale and efficient in cost. [24]

Financing of housing cooperatives have always been innovative in Canada. For example, in the

early years of housing cooperatives in BC, there was a very dynamic exchange with CCEC Credit Union. Founded in 1976 by members of Vancouver's fledgling self-help movement, CCEC (Community Congress for Economic Change Society) used volunteers to run the credit union. It understood the value of cooperatives hence it was willing to finance low-income residents who needed to borrow money for an initial share purchase in their cooperative (in 1980s it was up to \$4,500 dollars CDN to enter a housing cooperative). [25]

CCEC CU also pioneered pooling of deposits by housing cooperatives (CHIP account - Cooperative Housing Investment Pool). Under CHIP, housing cooperatives would receive a special higher interest rate which increased the entire CHIP fund, A portion of the interest revenue generated by the fund went to CHF BC – the umbrella organization for BC housing cooperatives. CCEC CU enabled cooperatives to work together with positive financial synergies. [25]

Outside of BC, financial innovation was equally dynamic. For example, in 1960 in Winnipeg, Manitoba on a 60 year land lease from City of Winnipeg CHAM (Cooperative Housing Association of Manitoba) submitted a plan to build a 200 unit housing complex – Willow Park Housing Cooperative, The federal government mortgage agency CMHC required that 80% or 160 units in the housing cooperative be occupied before CMHC advanced any money for the mortgage. [26]

This was unacceptable to the cooperative community so in the end the full \$2 million dollars CDN cost of the project was financed in full by a loan from the Coop Credit Society of Manitoba (a central credit union like NACUFOK) and the \$2 million dollars CDN was guaranteed by Federated Cooperatives (agricultural cooperatives). [27]

Final dimension of FHC Coop is its blended/diverse base of household income that it targets among its 420 units. In its phase 2 of 188 units (128 one bedroom, 50 two bedroom, and 10 three bedroom) 20% of the units will be reserved for people on a shelter allowance of \$375 dollars CDN per month. The other rents at 80% to 90% of market allowing working families earning from \$48,000 dollars CDN per year (minimum wage job) to \$125,000 dollars CDN to have a reasonable 30% rent-to-income ratio. Cooperative share purchase (\$2,500 - \$3,000) per unit is refundable when a new tenant replaces the member leaving. [28]

FHC Coop operates without any ongoing government subsidy. Prospective cooperative housing tenants must meet minimum income requirements to ensure viable tenancy. Note that cooperative must cover housing costs that include debt servicing, operating expenses, allocation to reserves, and inflationary rise in operating costs. FHC Coop may also build an interest rate reserve for future rate increase or for contingency debt service payments in event of tenant turnover or tenant temporary arrears.

Footnotes

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