

## Fancy managing a Co-op?

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**Rising housing costs, demand for affordable housing and the need for more sustainable living are resulting in a more innovative approach to common facilities within housing developments.**

There are signs that the old co-op concept is being revived in the cities of the Western world. While it is unlikely to reach the extremes of the mid-20<sup>th</sup> century Jewish Kibbutz or the smoky haze of the 1960's hippie communes, the sharing of space and facilities is on the rise both within and outside strata schemes.

Student co-ops have been around in Australia for some time. They involve 3 to 5 bedroom apartments where 2 students to a bedroom share a range of common facilities within the apartment, many of which are orientated for studying and the broader student lifestyle. The eco-village has also found favour in some regional areas where groups of people with a common vision and a commitment to live more sustainably join together in a more economically and socially sustainable environment.

### What is it?

The modern version of co-operative apartment living typically involves smaller apartments with fewer bedrooms where key facilities, such as kitchen, dining, lounge, theatre and storage rooms are shared by the occupants of a floor or floors. Spare bedrooms may also be available for use when guests arrive. These arrangements are typically called "shared households" and while they are common in Europe and in North America there are hundreds, if not thousands of them, they are still in their infancy here in Australia. Typically, they are undertaken by syndicates of like-minded people who are looking for a household that is more sustainable socially, environmentally and economically. However, there is a cautious interest by commercial developers in the concept, particularly given the pressure to build low cost housing and the success of many student co-ops.

Apart from the apartments being more affordable and less demanding on the environment, the communal areas afford the opportunity for frequent spontaneous human contact. With the right mix of occupants this can be a positive for community building. It avoids the common situation in large modern cities where occupants of neighbouring apartments have never met each other.

In Victoria there are a number of models of co-operative housing under way. A new example is Murundaka in Heidelberg Heights. This project was completed in 2011 and comprises 18 units but it operates as a tenant only complex where income (combined with a sustainable living philosophy) is the main criteria for entry. In a recent article by Neil McMahon Murundaka was described as "*...far from evoking the '70's communes, is modern and rather funky in design. The two blocks of nine units are built around a common meeting place that hosts everything from occasional meals to birthdays to, recently, a wake. There's a vegie patch and a spare room anyone can use for guests. Some residents share cars; others pitch in with babysitting.*"

### Titling

From a titling perspective, the overall apartment building is divided into lots and common property – each apartment comprising a separate lot. There are two categories of common property. The first

category comprises those common areas that are available for use by all apartment owners (such as the building shell, entrance, stairways, lifts, swimming pool and grounds). The second category is typically the common facilities shared by groups of apartment owners (e.g. on each floor or on each “bank” of floors).

This second category is effectively “limited common property” or common property the exclusive use of which is restricted to the particular group of apartment owners to which it relates. This requires the owners corporation to be empowered to grant exclusive use to more than one lot, as is currently the case in some Australian jurisdictions.

## **Management**

From a management perspective, the strata manager needs to maintain a number of different revenue and expense centres. For example, if there are 18 apartments which operate in 6 collective groups, then the strata manager will need to maintain 7 cost centres, each with its own budget and own revenue and expense codes. If an oven in a common kitchen needs replacing, then the cost will be debited to that particular collective of apartments. The cost would be covered by the levies imposed on that collective and would be reported separately for financial purposes.

If the swimming pool pump needs replacing, then the cost would be treated as a normal common property expense to which all 6 collectives would contribute. Similar expenses would be insurance and grounds maintenance. Services, such as electricity, water and telecommunications, would need to be separately metered and billed to the various collectives. Internal metering would determine individual apartment usage and cost sharing.

Management of this type of building or community is much more complex than the conventional apartment building or community, not only from a financial perspective, but also from a social perspective. The nature and frequency of human contact can work positively or negatively. Either way the management tasks are much more intense.

## **Finance**

An exciting aspect of collective households is the prospect of group financing, either within a particular collective group or by means of the owners corporation itself. In the case of the former, the individual owners within the collective group would jointly borrow on the future security of their apartments to fund their particular part of the building and wider common areas. In the other case the owners corporation itself would borrow on an unsecured basis to fund a proportion of the construction costs once the building has reached the stage of qualifying for strata subdivision. This type of collective financing is common in the US in New York State where a form of co-operative apartment ownership is very common.

Many readers of this article will say co-operative housing is just an alternate fad that will never evolve as a serious part of Australia’s mainstream housing. Of course, the same was said of strata title apartments over 50 years ago and fortunately for the strata management sector, that was wrong.

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