



# How to set up a Housing Co-operative: Step-by-Step

## 1. Form a Group

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It all begins with a group of keen and eager people. Usually you'll have something in common, binding you together. This could be issues that you are all concerned about, or simply strong bonds of friendship. If you have lived together in shared houses previously, or worked together, so much the better. What are you aiming for? A communal house or individual units/flats? Do you want to house everyone at once, or could you move gradually towards a fully housed membership? Share your dreams for a home and a community with each other, and develop a feeling for where your group is going. Publicise yourselves and attract more people in. Develop a wider base of support for your project. If people drop out, you will need new members to fill gaps.

## 2. Raise some Money

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You will need to cover telephone, postage and stationery and raise money for registering the co-op. You could try pooling what you can spare, or ask for subs of, say, £1 a week from members. You may be able to get a grant to help, especially if you have homeless or disabled members. You could put on a benefit gig or appeal for donations at local events.

## 3. Register your Co-op

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You should start the registration process as soon as you can as it can take some time, and you cannot start functioning properly as a co-op with a defined legal structure until you are registered. Decide whether your co-op will be fully-mutual (where all tenants are members and all members are tenants or prospective tenants) or whether you want to house non-members too. Beware, only fully mutual housing co-ops enjoy tax exemption. One route to registration is through Catalyst Collective (contact details below), who will register you and provide other support for an all-in fee of around £375 (as of August 2003). Catalyst will provide free advice for groups in the early stages of setting up a co-op.

## 4. Record-Keeping and Documentation

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Issue share certificates to members on receipt of £1 (share certificate books are available from business stationers). Create some publicity material. A members pack is a good idea, containing a copy of your rules and other official documents. Draw up a tenancy/occupancy agreement so that you're ready for when you get a house. Make sure you have an accounts book and keep track of all money coming in and out. Remember, to succeed all your members need more or less the same level of knowledge of how the co-op functions. Share and rotate the work.

## 5. Issue Loan Stock

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Loan stock is money lent to the co-op for a fixed term at a fixed (or zero) rate of interest by supporters and members. In effect the co-op acts, quite legally, as its own building society. For many co-ops it is the main method of raising the deposit on a property. Loan stock can only be issued once your co-op has been registered, but loans can be accepted before registration and converted to loan stock afterwards. You must keep thorough records of loan stock and issue certificates to the investors. The investors have no right to a say in the running of the co-op. They can ask for their money back at any time, at the co-op's discretion. If you haven't already, you should open a bank account and deposit your loan stock and any other funds in it in anticipation of buying your house.

## 6. Look at Houses

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Get general agreement on the sort of house you're after, and in what areas. Register with estate agents and get them to send you anything that fits the bill. Start reading the property pages of your local paper. If you don't know the areas in which you're looking, spend some time checking them out on the ground. Start viewing houses, not letting on to the estate agents that you not at all ready to actually buy anywhere yet!

## 7. Draw up a Business Plan

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Put together a plan based on your anticipated rental income and your estimated outgoings, which will include repaying loans and loan stock, and maintaining your house. It may seem daunting, but business plans are really just common sense, and there are many resources around to help you. Perhaps the best thing would be to get in touch with other co-ops near you and ask them to give you a hand. The plan will help to give you a sense of what is financially viable: a big house costs more but potentially brings in more rents. You may find you need to compromise on your initial aims in order to get a plan that works. The plan is important because you will need it to convince your mortgage lender that you know what you're doing.

## 8. Get a Mortgage

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Make initial contact with potential lenders (see contacts below) and compare the deals they offer. Typically they will offer to lend you up to 70% of the house value, repayable over a period of 25 years. They will need to see your business plan, and possibly background information on the co-op and its members. They may come and visit you. When you find a house they'll need a valuation. Depending on how much loan stock you've got, you may need a top-up loan, for example from Radical Routes (see contact info below).

## 9. Buy the House and Move In

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To complete the mechanics of the purchase you'll either need to employ a solicitor/conveyancer, or do it yourself (possible but time consuming - get books from the library to find out how). Most likely the purchase will inch painfully along and you'll need to do lots of chasing and prodding even if you have paid a solicitor. On the big day, the final chunk of money will be transferred to the seller, you'll get the keys, and throw a wild party to celebrate another house taken into collective ownership and the beginning of a new empowered life for all your members!

## Useful Contacts / Further Information

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**Catalyst Collective** (advice, co-op registration)  
Highbury Farm, Redbrook, Glos, NP25 4LX  
Tel. 01600 775414/719629, [catalyst@co-op.org](mailto:catalyst@co-op.org),  
[www.eco-action.org/catalyst](http://www.eco-action.org/catalyst)

**Radical Routes** (network of co-ops working for social change, loans to co-ops)  
Cornerstone Resource Centre, 16 Sholebroke Avenue, Chapeltown, Leeds, LS7 3HB  
Tel. 0113 2629365, [info@radicalroutes.org.uk](mailto:info@radicalroutes.org.uk),  
[www.radicalroutes.org.uk](http://www.radicalroutes.org.uk)

**Rootstock** (ethical investment supporting Radical Routes, alternative to building societies)  
BM Rootstock, London WC1N 3XX  
Tel. 0870 458 1132, [info@rootstock.org.uk](mailto:info@rootstock.org.uk),  
[www.rootstock.org.uk](http://www.rootstock.org.uk)

**Confederation of Co-operative Housing**  
(supports and represents UK housing co-ops)  
Unit 19, 41 Old Birley St., Hulme, Manchester, M15 5RF  
[info@cch-uk.org](mailto:info@cch-uk.org), <http://www.cch-uk.org/>

**The Co-operative Bank** (ethical banking, loans to co-ops)  
1 Balloon Street, Manchester, M60 4EP  
[www.co-operativebank.co.uk](http://www.co-operativebank.co.uk)

**Ecology Building Society** (ethical banking, loans to co-ops and environmental projects)  
18 Station Road, Cross Hills, Keighley, West Yorkshire, BD20 7EH  
Tel. 0845 6745566, [info@ecology.co.uk](mailto:info@ecology.co.uk),  
[www.ecology.co.uk](http://www.ecology.co.uk)

**Industrial Common Ownership Finance** (loans to co-ops)  
Head Office, 227c City Road, London EC1V 1JT  
Tel. 020 7251 6181, Fax. 020 7336 7407,  
[icof@icof.co.uk](mailto:icof@icof.co.uk)

**Triodos Bank** (ethical banking, loans to co-ops)  
Brunel House, 11 The Promenade, Clifton, Bristol, BS8 3NN  
Tel. 0117 973 9339, Fax. 0117 973 9303

For more detailed information get the "*How To Set a Housing Co-op*" booklet, available from Radical Routes at the above address.

