



SCE - Societas Cooperativa Europaea

Cooperative living in metropolises

Concept for LiM Living in Metropolises SCE with limited liability, July 2018



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1. Introduction

The number of inhabitants in Europe's metropolises is increasing significantly. Between 2011 and 2016, the population in Berlin increased by 244,000 people. Vienna recorded an increase of 137,000 persons during this period and Amsterdam an increase of 55,000. The forecasts in these cities for the next one to two decades point to further significant increases. The phenomenon of swarming cities will continue to occupy Europe for many years to come. As a result of this development, demand for housing is increasing despite the ageing and shrinking population in the future. Real estate prices and rents are already very high for many people today and will tend to increase as a result of the gentrification processes.

Here there are clear parallels to the wave of housing cooperatives founded in Europe at the end of the 19th and beginning of the 20th century. Since 2010, the DGRV - Deutscher Genossenschafts- und Raiffeisenverband e. V. - has observed an increase in the number of new cooperative foundations of housing projects in Germany. Similarly, many new projects in a European comparison show that this special form of cooperative solidarity and group self-help enables model-giving and innovative approaches in the field of new forms of housing - far from the pressure of speculative exploitation.

As a result, the idea of founding a housing cooperative under European law (Societas Cooperativa Europaea) arose in a supra-regional network of people interested in cooperatives. The focus here is on mutual learning and cooperation, on the one hand, and on the other hand the bundling of competencies and the use of synergy effects through comprehensive management, a general letting concept and jointly organised project development.

The primary goals of the newly founded SCE are both the development of concrete solutions to continue to make housing provision possible for broader sections of the population and to address today's housing needs through innovative "niche projects" - be it multi-generations, shared flats, smart living, cluster forms, etc. - and thus also to relieve local companies outside their traditional business areas.

Within the framework of the following concept, the previous discussion contents are summarized and underpinned by research. Furthermore, the feasibility of a possible first new construction project is examined in an economic efficiency calculation as well as a 10-year P&L and balance sheet planning in a planned management company. This model should (and can) be applied to other European metropolises, adapted to local and regional housing concepts.



2. Targets and Structure SCE

2.1 Starting point

The cooperative movement is becoming increasingly important both nationally and internationally: 2012 was declared the International Year of Cooperatives by the UN. In 2014 the cooperative idea was included in the list of the national cultural heritage of the Federal Republic of Germany and in 2015 Germany submitted the application for recognition as an intangible world heritage to UNESCO. In November 2016, 'Idea and practice of organizing shared interests in cooperatives' was included in the UNESCO World Heritage List. The certificate was presented in May 2017 at Pariser Platz in Berlin, the seat of the DGRV, by the Minister of State for Culture and Media, Monika Grütters, to the applicants, the federal states of Rhineland-Palatinate and Saxony.

2.2 Business idea and targets

The European Cooperative Society Regulation, in Latin 'Societas Cooperativa Europaea' (SCE), adopted by the European Commission in 2003, is applicable in all countries that have adopted it in their national legislation.

In order to communicate the advantages and qualities of the cooperative idea in politics and society, the already mentioned degree of awareness is advantageous. There are over 175,000 cooperatives with more than 141 million members across Europe.

The current founding of the SCE does not aim to maximise the members' profits, but rather to create a long-term company with a social, christian and residential reform focus according to the motto of Friedrich Wilhelm Raiffeisen: What one person can't do, many people can do.

The business model is simple: administrative costs are low and only five members from two EU countries with a total of 30,000 euros in foundation capital are required for the foundation. The accounting and the tax framework conditions are subject to the law applicable at the place of business. There are no rigid and costly information and disclosure requirements as with listed companies. Supervision takes place over cooperative associations and not over state professional supervision such as stock exchange supervision or banking supervision. Nevertheless, cooperatives are known for their stability and transparency towards members and committees.



2.3 Membership structure

The (founding) members of the SCE are, in particular, persons from institutions and companies that feel connected to the cooperative idea. These can be board members and employees of existing cooperatives, but also of other public welfare housing companies or their cooperation partners - construction, architectural, engineering and other service companies. It is also intended for actors in the future project locations and for interested parties from the university and cooperative science sectors. About 30 people from Germany, France, the Netherlands and Austria will attend the founding meeting.

2.4 Organization, Management and Committees

Due to the planned organizational structure with the model of general letting, the business idea is a pure management company without salaried employees. The Management Board and Supervisory Board are appointed on a voluntary basis, which reduces administrative costs to a minimum. It is only one service provider to win for the administration and for the fulfilment of the legal requirements. In addition, only costs are incurred for the statutory audits by a cooperative association and for tax advice.

3. Housing-, rental and sustainability concept

3.1 Housing and rental concept

Due to the population development and the expected number of inhabitants, residential construction has a high priority in the metropolises. The current and future price development is a big problem for many people. The lower income bracket will presumably be supplied by social housing, but also the middle income bracket, i.e. middle-income groups or part-time employees or single parents, will in future fall into an emergency situation or be pushed to the fringes of cities to an even greater extent than before. Affordable apartments are to be made available especially for these groups of people.

The SCE should therefore offer housing for the target groups within the framework of intergenerational, non-speculative ownership. There will be no luxury housing construction, but rather good and affordable apartments whose rents are in line with the rent index. The focus is also on taking up innovative or experimental living ideas that can otherwise only be realised by property-oriented assemblies.

However, this alone is not enough to let the planned apartments to the target group at a reasonable price. Administrative costs must be kept low. For this reason and as a further special feature, the apartments are not to be let directly to the future residents, but rather through a



general lease agreement to an established social housing company in the respective metropolis. The latter can then conclude a separate rental agreement with the individual members of the target group. The cooperation between (general) landlord and (general) tenant already in the construction phase allows individual wishes of interested parties of the (general) tenant to be taken into consideration. The construction will be carried out by the SCE and therefore also requires less personnel capacity at the (general) tenant. In addition, this model offers advantages for the balance sheet and improves many financial ratios. The general letting of properties is known to the founding members in Germany. If the audit for the other locations in other countries comes to the conclusion that general rental agreements are not permissible there, a local member should alternatively take over full management.

3.2 Pilot Project in Berlin

The pilot project in Berlin Treptow-Köpenick is not far from the garden city of Falkenberg, part of the UNESCO World Heritage sites of Berlin Modernism and close to the future BER Airport. Within the framework of the magic triangle of sustainability, a synthesis between social, ecological and economic goals is striven for, in connection with aesthetic and architectural cultural demands. The planned 28 apartments are to be constructed in a space- and resource-saving construction method with efficient and functional floor plans as well as regenerative building materials. The building should be habitable and affordable for different generations, lifestyles and household forms. Common areas and facilities are available in the immediate vicinity due to existing offers of the general tenant.

4. Market and market segment

4.1 Market analysis

The EU-funded Tenlaw project of the University of Bremen and a publication from 2017 by HOUSING EUROPE provide a good overview of the current European (rental) housing markets.

Since the first project is to be implemented in Berlin, particular reference is made here to the annual publication of Investitionsbank Berlin (IBB) and the market monitor of the BBU Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V. (BBU) was used. All sources show that there will be additional demand for new construction in the rented housing segment over the next 15 years due to population and budget trends.

4.2 Cooperative rented apartments

With the business idea and the cooperative housing model, a sub-segment of the European real estate market is addressed. Cooperative flats are part of the rental housing market and differ significantly from the condominium segment. However, the SCE's non profit-oriented promotional



purpose clearly distinguishes it from the offers of both private and state landlords, irrespective of its legal form.

4.3 Competition

Since a comparable rental model has been prescribed by law in Germany for decades, it is obvious in cities or regions where a rental market predominates that rents are increasing successively and at above-average rates. The situation is exacerbated by rising operating costs - e.g. municipal levies, but especially energy. At 32 %, the "Housing" segment accounted for the largest share of the shopping basket for the development of the consumer price index. This share, which has been growing for years, underlines the special importance of socially acceptable rents.

As the business model presented here is not profit-maximizing, as long as there is a rental market, there are no competitors for the project other than other forms of non-profit organizations. On the other hand, there is competition in the purchase of suitable land. The price development of building land in Berlin and most European metropolises makes this quite clear.

5. Auditing association

The BBU Verband Berlin-Brandenburgischer Wohnungsunternehmen e. V. was commissioned with the foundation audit according to § 11 Cooperative Act, the report is now available. DOMUS AG, a subsidiary of the BBU, is to be acquired as a tax consultant. In addition to its know-how in the housing industry, DOMUS AG also has experience and knowledge in the European and international area.

6. Timetable

Discussions were held with potential interested parties and supporters of the cooperative idea until the end of 2017. In parallel, the plans were updated and concretized, so that the founding meeting took place on May 11, 2018 with 37 members. After registration in the register of cooperatives, the purchase of the land is planned, the construction planning is completed and submitted to the responsible building authority. Construction is scheduled to begin in early 2019 and should be completed in the first half of 2020. Discussions on further projects in Vienna and Amsterdam are planned to accompany the project; other European metropolises could be taken up at any time if the SCE were interested.