

Participatory housing

Participatory housing today

Current tensions in the housing sector (growing pressure on the housing offering and rising sales prices) as well as societal trends and community-oriented initiatives (development of economic models based on property sharing) are giving way to alternative solutions to conventional housing production practices.

Two major trends stand out:

- The self-development approach;
- Inhabitants' cooperatives.

Both approaches are supported by local authorities or by social housing organisations.

In France, participatory housing is presently developed within the framework of legal arrangements provided for by current laws, whereas these laws are not fully adapted to such operations and not equipped with adequate financial safeguards (allocation corporations, provisions of the law of 10 September 1947 on cooperation). In the absence of an appropriate bylaw, the operations have remained lengthy and costly, thereby actually inhibiting the democratisation of these projects by leaving out the most vulnerable households or persons in critical housing-related situations.

The law on access to housing and urban renewal (Alur, 2014) has therefore laid out a legislative framework to support the social innovation offered by this new method of housing and helps to establish an appropriate legal framework for participatory housing, authorise access to ordinary financing systems designed to promote home ownership and ease partnership with the low-cost housing movement.

Benefits of the Alur legislation

The terms of the Alur legislation are basically aimed at providing a legal framework that responds to the needs and ultimate goals of participatory housing, while guaranteeing some degree of economic and financial security for project designers, be they self-developers or cooperative partners.

The proposed legal developments are not intended to replace the projects in the pipeline or those already completed with legal arrangements that will strictly demarcate the scope of participatory housing. They do not also seek to restrict the scope of participatory housing to the two types of corporations provided for by the law. On the contrary, their aim is to design new tools, in alignment with existing tools to foster the development of participatory housing, while securing the operations conducted by the people engaged in the projects.

1) Definition of participatory housing corporations

The first proposal is to set up participatory housing corporations aimed at helping individuals to rally behind the project to build or acquire the property that will accommodate their housing as well as the shared spaces. These individuals shall be partners and shall therefore acquire shares in the corporate from the outset. They will take part actively in the design process and in making decisions on the building or acquisition of the property, and where needed, in the management thereof.

These participatory housing corporations may henceforth take the form of a cooperative of inhabitants or an allocation and self-development corporation, with no need for new articles of association for such projects.

2) Common measures for both types of corporation

Common measures have been provided for both types of companies, notably:

- The possibility to admit corporate entities as partners, especially social housing organisations;
- Limited liability for partners to their capital contribution;
- The possibility to convert an existing corporation into an inhabitants' cooperative or allocation and self-development corporation;
- The obligation for non-partner tenants to sign a charter setting forth the management rules of the property, especially rules for utilising the shared spaces that will be appended to their lease agreement;
- The obligation for these corporations to show proof of a financial guarantee.

3) Establishment of articles of association for inhabitants' cooperatives

Inhabitants' cooperatives may take a civil or a commercial form, and shall be governed by the terms of the law of 10 September 1947 that are not repugnant hereto, setting out the articles of association of the cooperation. They shall seek to provide their partners with the housing and shared spaces. For this purpose, they may build or acquire a property. Thereafter, they shall manage and maintain the said property. An anti-speculative mechanism has been provided for (share transfer price limited to their face value increased on rent reference index (IRL)) and departures from the corporation shall be controlled in order to safeguard the financial stability of the corporation. These corporations shall be authorised to offer services to third parties, although the volume of its activities will be controlled. Partners of the cooperative shall pay a fee that will be used especially to repay the loan contracted by the corporation to build the property.

A cooperative contract shall be concluded between the inhabitants' cooperative and each cooperative partner prior to the latter taking possession of their share of the property. It is worth noting that cooperative partners may take out restricted shares (awarded for non-financial contributions), representing labour inputs during the project construction or renovation phase, or during rehabilitation works on the built property. These shares shall contribute to making up the share capital.

4) Establish of articles of association for allocation and self-development corporations

Allocation and self-development corporations may take a civil or a commercial form, and shall seek to grant their partners access to utilise or own the housing. For this purpose, they may build a building. Unlike inhabitants' cooperatives, these corporations may therefore give rise to co-ownership where the articles of association provide for allocation of ownership, in case any of the partners

withdraws or the corporation is dissolved. Where the articles of association provide for allocation of use, the corporation shall be designed to last over time. Withdrawals from the corporation shall equally be controlled in order to safeguard its financial equilibrium.

Although participatory housing operations may be considered in their infancy in France, so far, the establishment of a stable and secure legal framework thanks to the new provisions contained in the Alur legislation will undoubtedly serve as a major driver and may help to boost the number of projects in the country.