

Lilac System - how it works from Frank Bromley (3-08-2021)

A pre-amble.

The Lilac model is one I personally like. It shares the cost amongst a group to make it affordable while providing something like private ownership. But its a conceptual model that may or may not work under NSW legal models.

It should be able to work. For example a co-operative ownership structure is a legal one. But there are also land trusts, company title, housing provider etc.

The basic model is not private for-profit ownership but shared ownership so its described as a "mutual home ownership" model.

The way this is structured is:

1. A legal entity - like a co-operative owns the property and has whatever mortgage or loan is owed.
2. But the legal entity is wholly constituted by the membership in a democratic way.
3. So the membership entitles the member to an equity share, that equates to a legal share and a financial share, and that is transformed into an ownership right to live in the property. That is an ownership right.
4. Some people can pay off their equity share totally up-front and others can pay their equity share on an equivalent to rent to buy over an extended time frame.
5. The individual residential share, the ownership right, has one major caveat which is that it can only be sold back to the co-operative. That is at a price set basically on relatively constant value . you get back what you put in with a small fluctuation in percentage terms, plus and minus.
6. This is intended to set up an indefinitely transferrable relatively constant stock of affordable housing rather than making profit through real estate market fluctuations.

There are technicalities and pros and cons of this model. This information is as a reference model. If something like this were to be set up then it would be up to the members to sort out their own rules. For example to think through renting out and absences or home swaps. Also Lilac is complex because its set up as a formal model for a larger group and the viability on a smaller scale needs to be worked out.

In terms of comparison to a standard real estate model it probably needs enough up front members to pay the deposit and some of the costs + a lender (an angel investor) to lend the rest of the money - enough of the rest of the membership to pay off the residual loan over time at an affordable rate.

So its a structure but needs legal and financial structuring to work out the balances but it can work as a sustainable and affordable co-housing group project.

Documents:

1. Basic brief statement
2. A relevant excerpt from the Lilac lease that makes the structure concise
3. Chapter 5 from Paul Chatterton's book describing the financial-legal structure of the Lilac model. This is fairly complex as its a template for a 40 unit ecovillage.



Affordability



Lilac is an innovative and pioneering cohousing project completed in March 2013 in Bramley, Leeds in the UK. It features 20 homes and a shared common house built from straw bales and timber. Lilac is a member-led not-for-profit co-operative and aims to share its learning with others. This series of briefing notes outlines the various aspects of the Lilac model and its key features. They can be downloaded from the website.

- Lilac is the UK's first Mutual Home Ownership Society which delivers 100% permanently affordable housing.
- It is an intermediate housing product (homes are not owned or rented).
- The MHOS owns the homes and land and issues leases to members.
- Minimum net household incomes are needed for each size of home.
- Each household must take on equity of the value of their home's build cost (+/- 10% depending on their income)
- All members pay a deposit equivalent to 10% of the debt associated with their home.
- Members pay 35% of their net income to the Lilac each month.
- Members can buy additional equity at any time, which can reduce the minimum net incomes needed.
- Once all equity is acquired, members just pay 10% of their net income.
- On leaving, members are reclaim some of the money paid towards equity shares.
- If resident for more than 3 years, members get a share of the increase or decrease in the value of equity shares (after deductions for bank interest and service charges).
- To avoid speculation, equity is linked to national earnings NOT housing market prices.

'Our use of the MHOS model can help to tackle the housing crisis, and give people and real say over how their homes are managed'



Lilac: the UK's first affordable, low impact cohousing neighbourhood

www.lilac.coop

info@lilac.coop

[twitter@lilacleeds](https://twitter.com/lilacleeds)



Lilac Mutual Home Ownership Society Ltd. Registered as a Co-operative Society No 30689R

A to the point excerpt of the Lilac lease. Mind you this is UK law.

Recitals

1.3.1 The Society is a not for profit housing cooperative registered under the Industrial and Provident Societies Act 1965. The Member is a member of the Society and has agreed to purchase an Equity Share in the Society. This Lease is granted by the Society which is a cooperative democratically controlled by its members. The rules of the Society:

1.3.1.1 restrict membership to persons who are leaseholders of the Society and have purchased an Equity Share in the Society which allows them to live in the Property; and

1.3.1.2 prohibit the granting or assignment of leases to persons who are not members of the Society and who have not purchased an Equity Share.

The Society is therefore a fully mutual housing cooperative and the lease granted hereby is not an assured tenancy.

1.3.2 The Member is a member of the Society and must remain so throughout the period that he or she is the Member under this lease and each succeeding Member under this lease must also be a member of the Society. The members of the Society control the Society and own the shares therein.

2 LETTING

In consideration of the payment by the Member to the Society of the Equity Share (receipt of which the Society hereby acknowledges) the Society lets the Property to the Member with full title guarantee with the rights for the Member set out in Schedule 1 excepting and reserving for the Society the rights set out in Schedule 2 for the Term at the Initial Monthly Charge subject to the obligations to which the Property is subject contained or referred to in Schedule 3.

3 COMPLIANCE WITH LEASE

The Member and the Society agree with each other to observe the covenants and conditions

of this lease.

4 MONTHLY CHARGE AND INTEREST

4.1 Obligation to Pay

The Member must pay the Monthly Charge during the Term by equal monthly payments clear of all deductions in advance to the Society by direct

5

AFFORDABLE: A GREEN HOUSING REVOLUTION FOR ALL

Lilac's second big challenge is achieving affordability. This is perhaps the most difficult and often overlooked aspect of putting low impact living into practice. But in order that we can all share in, and benefit from, the green revolution it is essential that low impact and community living is an affordable and widely accessible option. This is an urgent task given that the current era is defined by a highly unequal and precarious financial system and speculative and inflationary housing markets. It has become all too easy for green innovations to be exclusive or gated bubbles for more prosperous pioneers. Lilac is deeply aware of that. We may not have fully succeeded but our intention is always to ensure that diversity, equality and justice are at the heart of what we do. Central to our attempts at affordability is an innovative and pioneering form of tenure called Mutual Home Ownership.

In this chapter, I discuss how MHO embeds deep threads of mutualism and togetherness. Practically, I explain how it works, how we modified it and what it means for wider changes in the housing market. But affordability means much more than this. It is also embedded in our cooperative model which strives for economic justice. Moreover, shared patterns of living together and common association offer both measurable and less measurable cost savings, as well as a whole range of wellbeing effects. These will become increasingly important in the future

as sharing resources and informal aspects of the economy begin to replace or support the formal money economy.¹

Mutual home ownership: the basics

Lilac is based around a new affordability model called a Mutual Home Ownership Society (MHOS). It is an equity-based leaseholder approach to cooperatively owned housing. This model, first proposed by the New Economics Foundation and CDS Co-operatives, lays out the case for intermediate housing that guarantees affordability in perpetuity for its members.² The model is a total break from the norm. We were captivated by it as soon as we heard about it. It seemed ideal to meet our commitment to cooperativism and equality. Through hard work, much explaining and constant determination we were able to implement this housing solution that really bucked the status quo. It's not the answer to all housing problems, and it does have its own limitations, not least a dependency on incomes, as well as complexity. But it is, nonetheless, an important part of the complex puzzle that can start to unravel the pervasive and corrosive tendencies towards individualism and commodification in our lives.

So, in brief, what is it? In a MHOS, affordability is defined through the proportion of income spent on housing set at no more than 35 per cent of net household income. It creates an intermediate housing market where rents are above those of social housing but below market price. Professor Steve Wilcox from York University in a 2006 study found that 40 per cent of households fall within the 'broad intermediate housing market' in the UK (see Figure 5.1). This broadly holds true for other high-income countries. The point is that the size of the housing market to meet this demand is inadequate. There's a tenure supply-demand mismatch. The mutual housing market has huge potential to fill this gap, especially given that, as the Commission on Co-operative and Mutual Housing found in its 2009 report, it currently only represents 0.5 per cent of housing in the UK.³

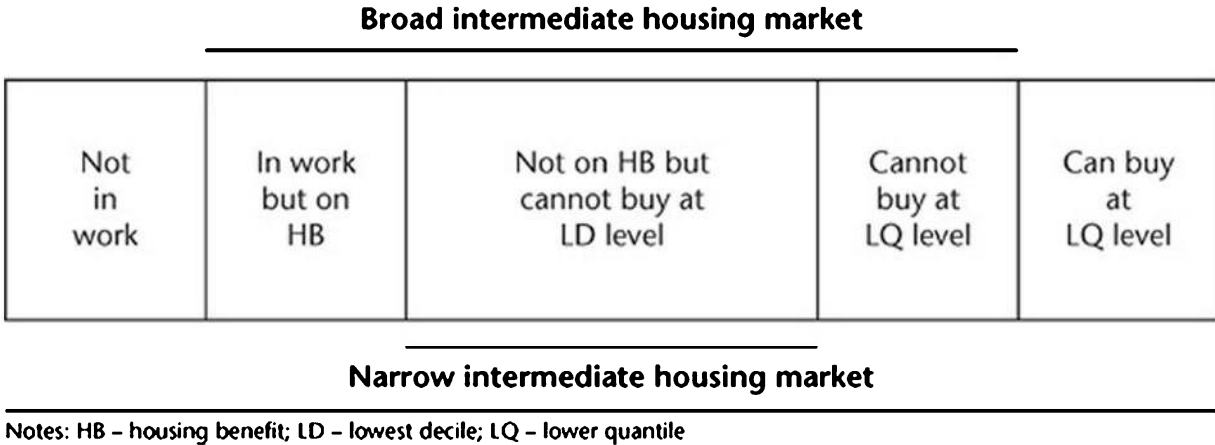


FIGURE 5.1 The intermediate housing market

Source: Steve Wilcox.

Lilac is the first MHOS in the UK, and probably the world, and we chose this model to experiment with economic equality in practice. An MHOS is complex and a simplified schematic is presented in Figure 5.2. The MHOS owns the homes and land rather than individual members. The MHOS is owned and managed by its members, namely the residents who live in the homes which it provides. Each member has a lease which gives them the right to occupy a specified house or flat owned by the MHOS. Membership of the MHOS will give members democratic control of their housing. The cost of building the homes owned by the MHOS is financed by a long-term mortgage loan. In our case, this was from ethical bank Triodos. Under the terms of the lease, each member will make monthly payments to the MHOS which will fund the Society’s loans and debts, and cover a deduction for service costs.

The cost of buying the land and building the homes owned by the MHOS and financed by the mortgage is divided into equity shares with an initial value of 31. This equity is allocated to households and they are acquired (or paid for) through each member in that household being levied a monthly member charge equivalent to 35 per cent of their net income.

Members pay a deposit equal to 10 per cent of the equity shares they can afford to finance through their monthly payments. In this way, every member, regardless of their income, pays the same proportion, placing the principle of equality at the heart of the model. The number of shares

allocated to each household depends on a combination of their income and the cost of their home. (It is important to state throughout that when we refer to ‘the cost of a home’ we are not just referring to the build cost of the property, but also to a proportion of the cost of the land and the communal facilities that all households access.) The more members earn, the more equity shares they can afford to finance – and the more shares they can afford to be allocated. If the income of a member falls, rather than lose their home, they can sell equity shares if there is a willing buyer, draw on the Society’s reserve fund, or convert to a standard rental tenancy. To ensure the sustainability of the project, in Lilac’s version of an MHOS, the value of the equity shares allocated to each household cannot differ more than (plus or minus) 10 per cent of the cost of their home. If the households’ combined monthly charge (35 per cent of its income) is greater than the amount required to pay the maintenance charge and finance their equity shares allocated to that property, then Lilac’s High Earners Policy comes into play. This puts the excess partly towards paying off their debt quicker, and partly towards the Lilac Equity Fund (LEF). I’ll explain this in more detail below.

Once all the equity shares have been paid for by a household, they simply pay a nominal 10 per cent of their net income. If a member moves out and sells their shares before they have lived in the MHOS for three years they will only be able to sell the shares at their original value (or a lower one if their value has fallen). For members who leave after three years, they will receive 75 per cent of the change in value of the equity shares, which is indexed to changes in average national incomes rather than local housing prices. Members can move between properties in the scheme as they become available and as their housing needs change, as long as all the equity shares can be financed by incoming members.

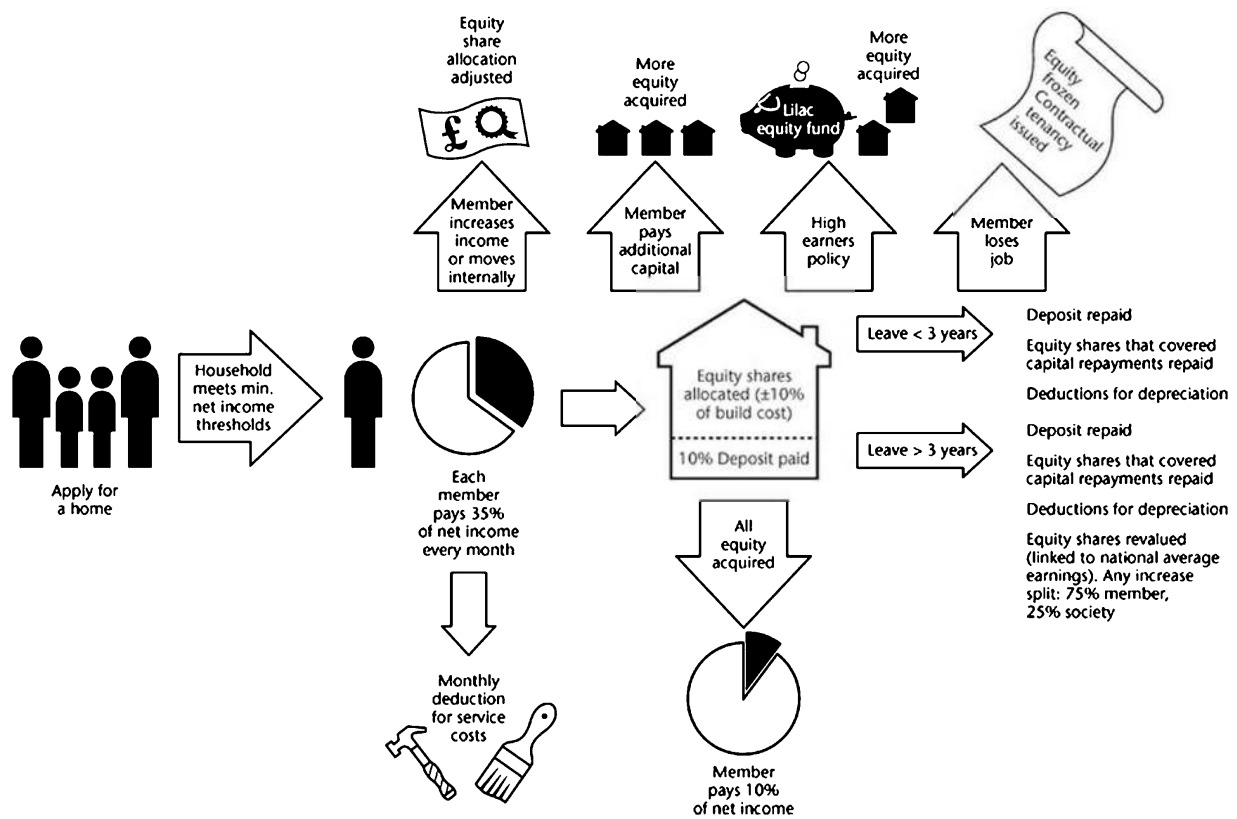


FIGURE 5.2 A simplified version of the Mutual Home Ownership Society model

Source: Lilac.

Clearly, Lilac is affordable only within certain parameters. First, a minimum net income for all members in a household is needed to fund the shares allocated to each household. In 2013, these household minimums ranged from just under £15,000 for a one-bed flat to just under £49,000 for a four-bed house. These figures prove to be very affordable, especially when they might be shared between a number of income earners in one house. Table 5.1 shows the net incomes needed for different-sized households to ensure enough income was coming in to service the debt. In the future, Lilac anticipates that as financial reserves are built up a greater range of incomes can be admitted to the MHOS, with less debt needed to be allocated to those on very low incomes. Second, it's not a model that provides housing for the wageless and lowest income groups in society. In the UK you are not able to use state benefits to acquire equity. If a member loses their job, their equity is

frozen and they are placed on a contractual tenancy.

Thus, minimum net incomes are needed for the MHOS model to work. Total incomes across the project have to meet an overall minimum in order for all the debt to be serviced. In the case of Lilac, the amount of debt we took on means the net incomes shown in Table 5.1 are needed to service all the debt. Occasional tough decisions are needed when people do not meet the minimum income thresholds. It's a fine balancing act to ensure that all income profiles can service the total debt. Across the project, the households whose incomes mean they take on shares of less than 100 per cent of the cost of a home need to be balanced by those who can take on more than 100 per cent. The mutual model in this respect then is an equalizing device. With time, we hope Lilac will be affordable to those on much lower incomes, especially as project value continues to rise and debt continues to fall. As you will see from Figure 5.3, the equity allocated to homes vary within a range according to whether you take on shares equal to the value of 90 per cent or 110 per cent of the cost of the home, or somewhere in between. In addition, as Table 5.2 shows, the net income needed may be lowered if savings are used to acquire more equity. The affordability of the project also rests on a certain amount of additional capital from members up front. At the beginning, that level was a little over £500,000. Without these contributions from members to acquire equity up front (which have the effect of reducing the overall debt burden of the MHOS), projects would either have to find ways to be drastically cheaper or borrow more money commercially, which brings with it costly interest repayments.

TABLE 5.1 Minimum net incomes and deposits needed to live in Lilac (2013 figures)

	<i>Net household income required</i>	
	<i>From</i>	<i>To</i>
1-bed	£14,843	£20,315
2-bed	£22,816	£29,870
3-bed	£33,142	£41,365
4-bed	£39,388	£48,497

	<i>Deposit required</i>	
	<i>From</i>	<i>To</i>
1-bed	£6,314	£8,873
2-bed	£9,722	£13,020
3-bed	£14,233	£18,078
4-bed	£16,925	£21,184

Source: Lilac.

TABLE 5.2 Impact of the initial payment on minimum net household incomes required to live in Lilac

<i>Initial payment</i>	<i>Minimum net income (everyone pays 35% net income to the project)</i>			
	<i>1-bed</i>	<i>2-bed</i>	<i>3-bed</i>	<i>4-bed</i>
£10,000	£13,856	£21,746		
£12,000	£13,435	£21,325		
£14,000	£13,014	£20,904		
£16,000	£12,593	£20,483	£30,928	
£18,000	£12,172	£20,062	£30,507	£36,739
£20,000	£11,751	£19,641	£30,086	£36,318
£25,000	£10,699	£18,589	£29,033	£35,266
£30,000	£9,646	£17,536	£27,981	£34,214
£35,000	£8,594	£16,484	£26,929	£33,161
£40,000	£7,541	£15,431	£25,876	£32,109
£45,000	£6,489	£14,379	£24,824	£31,056
£50,000	£5,436	£13,327	£23,771	£30,004
£55,000	£4,384	£12,274	£22,719	£28,951
£60,000	£3,332	£11,222	£21,666	£27,899
£65,000	£2,279	£10,169	£20,614	£26,847
£70,000	£1,227	£9,117	£19,562	£25,794
£75,000	£174	£8,065	£18,509	£24,742

£80,000	£7,012	£17,457	£23,689
£85,000	£5,960	£16,404	£22,637
£90,000	£4,907	£15,352	£21,585
£95,000	£3,855	£14,299	£20,532
£100,000	£2,802	£13,247	£19,480
£105,000	£1,750	£12,195	£18,427
£110,000	£698	£11,142	£17,375
£115,000	-£355	£10,090	£16,322
£120,000		£9,037	£15,270
£125,000		£7,985	£14,218
£130,000		£6,933	£13,165
£135,000		£5,880	£12,113
£140,000		£4,828	£11,060
£145,000		£3,775	£10,008
£150,000		£2,723	£8,955
£155,000		£1,670	£7,903
£160,000		£618	£6,851
£165,000			£5,798
£170,000			£4,746
£175,000			£3,693
£180,000			£2,641
£185,000			£1,589
£190,000			£536
£195,000			-£516

Source: Lilac.

Nevertheless, there are a number of reasons why this model remains affordable: monthly member charges are geared to a constant 35 per cent of net household income to help long-term household planning; members

secure a ‘foothold’ on the housing ladder at lower household incomes and with lower entry deposits; members can buy more shares as their income rises; transaction costs on buying into and leaving are reduced because homes are not bought and sold; and the linkage in the change in the value of equity shares to average earnings rather than local house prices helps reduce risk, dampen increases in value and avoid speculation. This also makes it affordable from one generation of occupants to the next. In sum, the MHOS is a radical departure from conventional routes to home ownership. It promotes resident self-management, decommodifies housing and creates more stable neighbourhoods.

The MHOS model both promotes access to less wealthy groups and discourages wealthier groups who are seeking speculative returns from housing. This is a significant difference to owner-occupied forms of eco and cohousing. Clearly, there are still limits that need working through, including the lack of sources for accessing development finance, the need for households to meet minimum income thresholds and small deposits, the exposure to risk that comes from the small size of this sector, and dependency on grant funding as well as on additional capital from members.

Making a MHOS work in reality

While the basic principles of a MHOS are relatively understandable, making a new housing tenure type like this work in practice is considerably more complex. We had to make a number of changes and additions to create a viable model. ‘What-if’ scenarios continued to be generated as we probed deeper into exactly how it would work. Below, I outline some of this detail. The impressive aspect was that none of us was well versed or had experience in housing finance before we started. Much of our thinking was starting from a position as residents who were trying to make a new model work for us, and to ensure that every adjustment we made kept it fair for everyone.

Buying equity

It is now clear that Lilac is not like normal housing. Residents don’t rent

and they don't buy. Instead they are leaseholders, and their lease allows them to buy equity in the Society. Each member is allocated an amount of equity related to the size of their home (measured in the number of square metres) and we allocate more or less depending on their income. We also allocate equity in proportion to size of gardens and balconies, but we weight it much lower than indoor space. The amount of equity allocated also reflects much more than the house – it includes the cost of the land, grounds, allotment and the Common House.

There are three ways, then, that you can buy or acquire the equity in your home. First, all members acquire 10 per cent through a deposit payment right at the beginning. Second, those with additional capital from, for example, savings or a house sale can acquire some more. There's no obligation to do this, but if they do, they can acquire all their equity more quickly. Once they have acquired all their equity, members pay only 10 per cent of their net income or the level of the current maintenance charge, whichever is greater. Third, as stated above, everyone pays 35 per cent of their monthly net income. The reason it is net and not gross income is that members are allowed to make allowances for statutory deductions (in this case national insurance, tax, higher education loan payments, union dues and pension contributions, the latter which we capped at 10 per cent). Not all of this goes towards acquiring equity. About 4 per cent of it goes towards the home charge which covers maintenance and insurance. And of course, in the early years members' payments are funding bank interest as much as making capital payments. So the amount of equity returned to members who leave in the first decade or so will be lower than those who stay longer.

This figure of 35 per cent may go up if interest rates and the cost of borrowing rise dramatically as they have done in previous eras. A few households have also voluntarily chosen to pay more than 35 per cent of their net income so that they meet the minimum net income threshold. This is testimony to the additional perceived benefits that cohousing brings beyond the most obvious level of payment for your home. The final amount of shares we allocate each member simply reflects a ratio of the total we borrowed against the total yearly debt repayments. There are different payment profiles among members and so households will acquire all their equity at different rates. The profiles below cover most

applicants, but some people won't fit into these categories: The financial situation across the households is actually quite varied. Figure 5.5 shows an illustrative and anonymized snapshot of the equity share allocations among the 20 households. The entire circle represents all the equity shares in Lilac – so that's the entire project costs minus grants and gifts. Each wedge represents one household, and the width varies according to the amount of equity shares allocated to that household. Households such as 's' and 't' are larger houses, while 'g' and 'I' are smaller apartments. What you can see is the uniform 10 per cent deposit, which is shaded darkest at the thin end of the wedge. You can then identify any households which have voluntarily acquired additional equity shares (coloured dark grey). Some have acquired all their equity shares, some have acquired small amounts and others have not acquired any more beyond that which constituted their 10 per cent deposit. Finally, therefore, the amount of remaining debt varies. Some households might acquire the rest of this equity within a few years, while other households might acquire it over, say, a 20-year period.

- **Low income** – a household with a low income that does not meet the net income threshold to still live in Lilac but have opted to pay more than 35 per cent of income so that they can do so.
- **Low income savers** – a household with low income but with some savings that they have used to acquire equity. This profile allows a household that doesn't meet the net income threshold to still live in Lilac at a level of 35 per cent of net income as they have already paid off some debt so that a lower income is required.
- **Regular income** – a household whose income means they have been allocated between the 90 and 110 per cent range but have not put in any additional capital.
- **High income** – a household whose income means they can be allocated shares which equate to more than 110 per cent of the cost of their home and thus pay into the Lilac Equity Fund (LEF). In this profile, members will acquire all their equity slightly quicker.
- **High income savers** – a household which has put in some additional capital and whose income means they can be allocated shares which equate to more than the repayments on the remaining allocated debt of 110 per cent of the cost of their home and thus pay into the LEF. In this profile, members will acquire all their equity in a much shorter period, partly as they have paid off more debt up front, and partly due to faster repayments.
- **Full payers** – a household which has enough savings to acquire all the allocated equity up front and immediately just pay 10 per cent of their net income, or less if they meet the cap we have set.

Figure 5.3 also shows that the amount of equity shares allocated to each household varies between the lower 90 per cent and upper 110 per

cent limit of the cost of a home – and this varies according to the size of their income. Thus, for example, ‘a’ is a household which has been allocated slightly less than 100 per cent of the cost of their home, and which has acquired all their equity shares and therefore only pays 10 per cent of their net income to Lilac. ‘B’ is a household which has been allocated slightly more than 100 per cent of the cost of their home, and is still paying 35 per cent of their net income every month and has acquired a small amount of additional equity shares. ‘D’ is similar but has not acquired any additional equity shares.

Figure 5.4 represents the other part of the Society’s finances – the household incomes needed to acquire the equity shares. Again, the entire circle shows all the incomes across the 20 households – and remember: each net household income has to meet a minimum threshold. This time, the size of the net household income is shown by the length of the wedge – the longer the wedge, the bigger the income. The outermost part of the wedge represented by a dotted line represents household income that is not paid to Lilac. The other shaded components of the inner wedge represent income paid to Lilac. As I explained earlier, monthly household payments to Lilac are set at 35 per cent of net income. For most households on this chart, then, the shaded segments of the wedge together represent 35 per cent of their net household income.

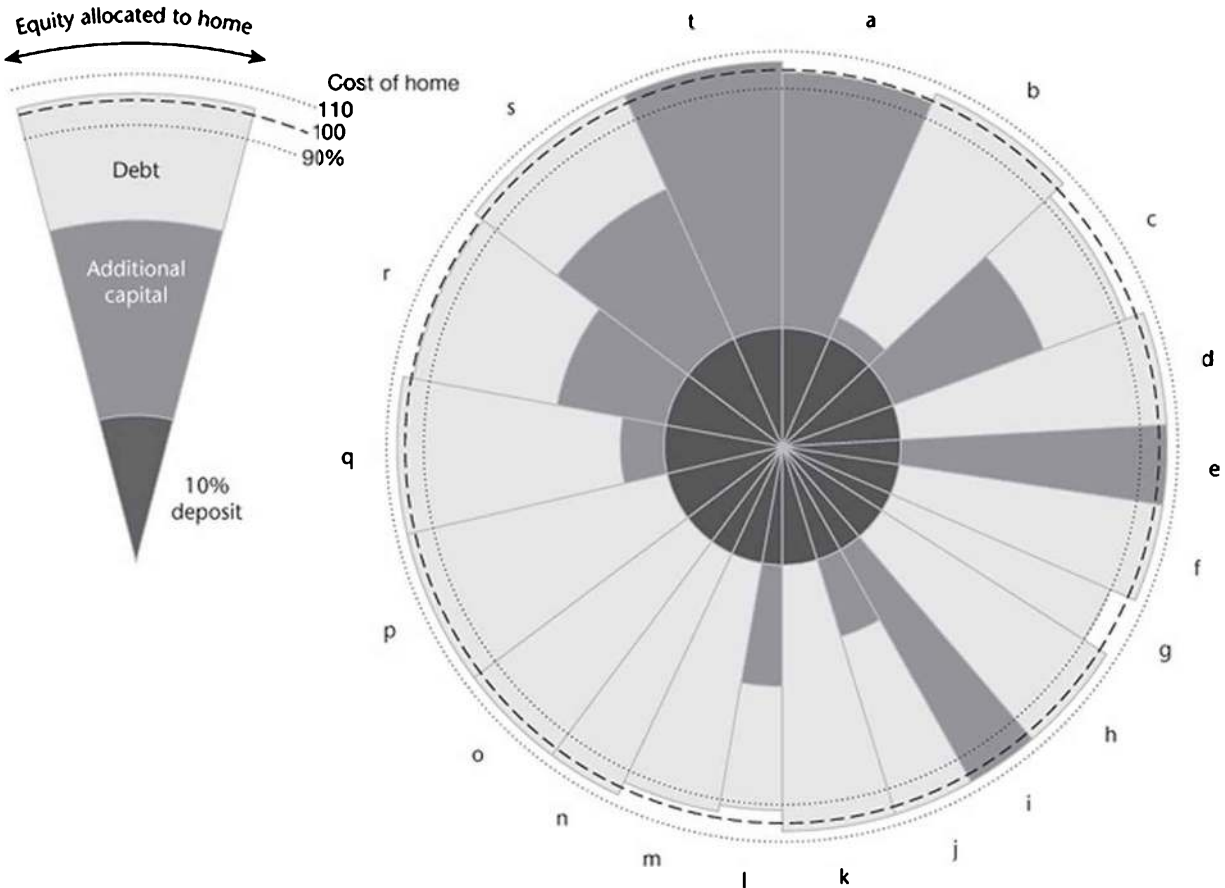


FIGURE 5.3 A snapshot of equity share allocations across the 20 households

Source: Robin Lovelace.

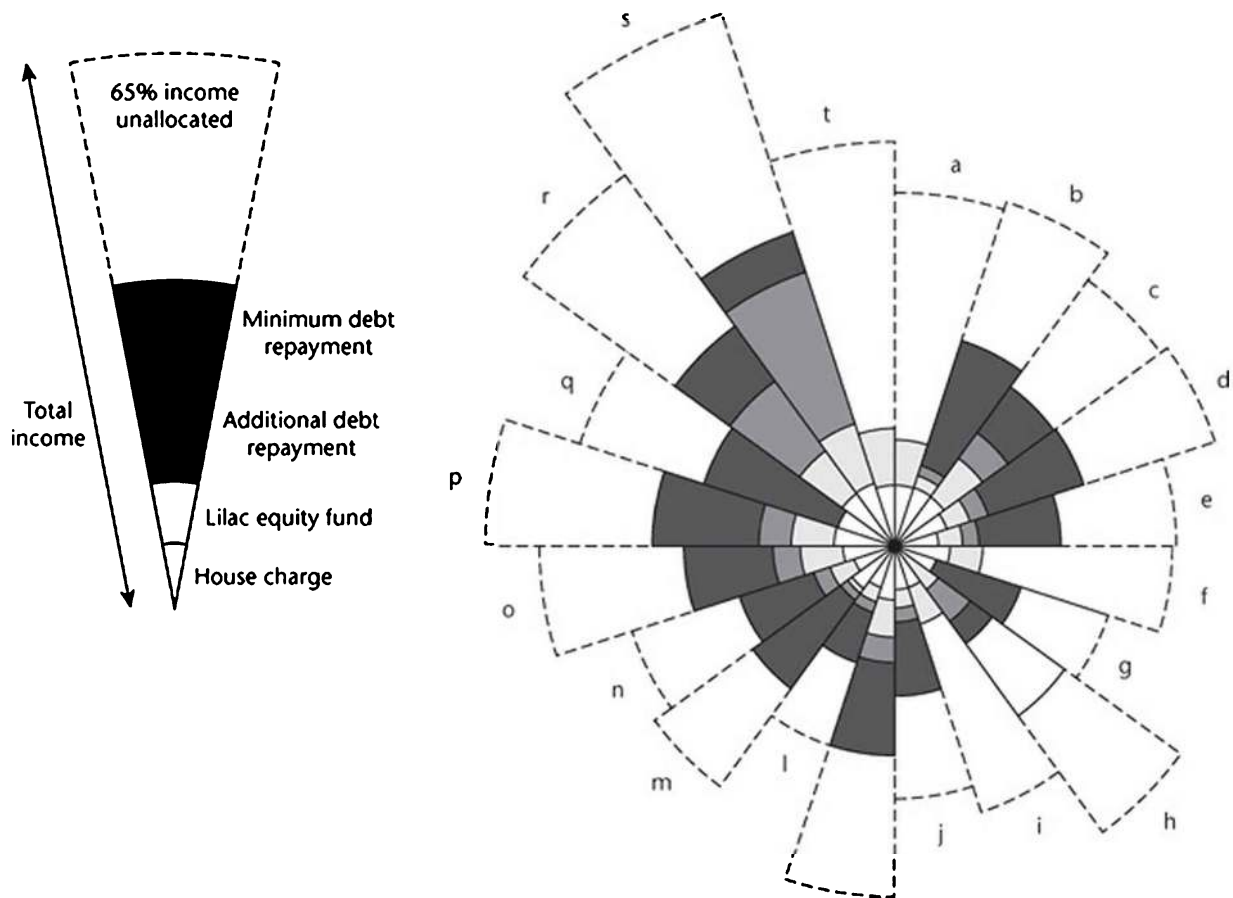


FIGURE 5.4 A snapshot of income profiles across the 20 households, and how payments to Lilac are split across the various components

Source: Robin Lovelace.

There are four segments here. The innermost segment of the wedge shaded lightest represents the part of the monthly household payment that goes towards the service charge. The second segment represents the part of the monthly payment that goes towards the LEF. The third segment represents the part of the monthly payment that goes towards any additional (or faster) equity payments. Finally, the darkest grey segment represents the part of the monthly payment that goes towards the household's minimum debt repayment. In practice, what you can see from Figure 5.4 is quite a range of household incomes across the Society. This is a positive feature, as it allows scope for reallocation of shares between households if incomes change. You can also see that for those households which have acquired all their equity shares they are only paying the service charge and LEF contribution.⁴

Balancing wealth and equality: what to do with savings and high incomes

We had to modify our model and take pragmatic decisions based on the financial world in which Lilac found itself. One of the aspects of our Western society which Lilac is acutely aware of is the highly uneven distribution of income and savings, which often do not reflect the physical or mental effort and ability exerted at work. Highly perverse and class-based income profiles, family circumstances and opportunities structure our lives. We were keen to address these differences, or at least acknowledge them, rather than ignore them. We wanted to build a community which gave access to a range of households on a variety of incomes. How, is the big issue. So much needed to be talked through, and solutions sought.

The challenge is that the mutual model of home ownership allows for a range of incomes and savings among members, and a sense of fairness has to be instilled in this context. This means different things to different people. Early on, we agreed that wealth can cover both income and savings, and both need to be taken into account in our model. It also might mean inclusiveness for those on lower incomes and not being exploited or squeezed out by those on higher incomes. So there's an upper allocation limit of 110 per cent of the cost of a home and a lower one of 90 per cent. The issue arises that those with very large incomes could actually take on much more than this upper limit.

For this we had to invent what we now call the 'high earners and additional capital investors' policy. This policy pushes the boundaries of housing financing, as it recognizes both income and savings as wealth and uses both to calculate how many equity shares we allocate. The basic idea is to top slice, for the benefit of the society, high earnings or savings, and place them into what we call the Lilac Equity Fund (LEF). This policy applies where 35 per cent of net household income is greater than the house charge and monthly repayments needed to cover the remaining debt (after payment of the deposit and any additional capital) associated with that household.

Payments to the LEF are capped. Our finance team presented very detailed and lengthy information to the wider membership so that we could agree the level of the cap. We discussed a number of different

scenarios and finally agreed that the cap would apply to both households paying off debt as well as those who had paid off all the debt – and it would be set as a percentage of the household’s allocated shares (in the first instance at 1.5 per cent per year). For example, if a household was allocated £100,000 of equity shares, the maximum annual payment they would pay to the LEF would be £1500. In Lilac the LEF cap ranges from about £1000 up to about £3000. This was a key step, as it aligned this policy to the same principle of proportionality that underpinned the amount of net income payable. Income or savings beyond this level would simply allow a household to acquire their equity shares faster – the equivalent of buying the value of your lease or paying off your mortgage faster. The cap would restrict money actually flowing into the LEF. In this sense, we did not want to overly deter high earners or those with substantial savings, as a combination of modest and lower incomes is essential to the viability of the model. Without a cap, current or future members could easily feel that the LEF was a money pit.

High-earning households pay up to 50 per cent of the excess into the Lilac Equity Fund (LEF) with the other 50 per cent (or more if the cap is reached) used to acquire their equity faster. Where a household has already acquired all of their allocated equity shares and every month are paying 10 per cent of their net income to Lilac (less if they meet the cap), everything that they pay over and above the cost of the maintenance charge is paid into the LEF.

The rationale for the LEF was to put aside some money to help Lilac through any difficult financial periods and with the aspiration that, with time, Lilac would be able to acquire significant equity in itself rather than relying on loans from the bank or other lenders. We wanted those with higher incomes or greater wealth through savings to contribute to the LEF. This was important, as it reinforces the values of fairness and financial equality. We felt that those on higher incomes or with considerable savings should contribute to the sustainability of the project. The LEF actually becomes a tremendously useful rainy-day or crisis fund. The ideas we have generated for its potential use include the following:

-
- To decrease loans from banks and other lenders in the long term.
-
- To finance unexpected project costs (such as damages or repairs).
-
- To finance further building work or extensions.
-
- To acquire equity shares in the case where, for example, an incoming household was on a lower income than an outgoing member.
-
- To temporarily meet shortfalls in repayments if a member's income dropped.
-

We are often asked what stops super-rich households moving in and taking advantage of our model. Technically, there is nothing to prevent this. To start with, in the application process, such rich households may not get on so well with other members and the project's values. A commitment to low impact living may not sit comfortably with a high-income, high-consumption lifestyle. And there is nothing to be gained from moving into Lilac in terms of benefiting from speculative assets. Our experience is that it attracts downsizers and those with surplus capital who are looking to dispose of it to acquire less tangible but extremely difficult-to-acquire assets such as neighbourliness, a greater sense of community and shared resources. The biggest challenge is to make sure that those with more modest incomes can benefit too from these kinds of intangible assets rather than more cash-rich downsizers.

Guaranteeing permanent affordability: homes that appreciate rather than escalate

Our ability to guarantee the affordability of our homes in perpetuity relative to rises in average incomes is perhaps one of the most surprising and challenging aspects of Lilac. The equity shares that a household owns change every year – they appreciate and depreciate. We have linked appreciation to the UK's Index of average weekly earnings (AWE). This is a national gross measure of the increase in wages across all sectors of the economy. It is the only nationally available figure. At the time of writing this was 1.5 per cent. This results in very modest increases in the value of equity locked up in housing, which avoids the

buildup of speculative asset bubbles. Given the rocky ride the entire global economy has had at the hands of casino-like housing bubbles, toxic housing debt and irresponsible mortgage lending, we feel that this is an essential contribution to a more sustainable future housing market.

Depreciation is just as challenging a concept. Given that homes in Lilac are not bought or sold, the usual negotiations about what a home is worth and whether any money gets discounted for the state of the property does not apply. Thus the MHOS has to make provisions for depreciating the capital items of a home as they are used by a household. For example, a roof might last 40 years and you might live in the home for 10 years. You have benefited from the use of that roof for 10 out of 40 years of its life. So when you leave, the MHOS deducts from your equity shares 10/40th of the value of a roof. This money is banked until year 40 or thereabouts, when the new roof is bought. The same goes for a list of other capital items such as external windows and doors, kitchen units and bathroom suites. A household may choose to upgrade a capital item at their own expense but they cannot benefit from any extra value from this, unless they can provide evidence, through an independent assessment, that it has increased the value of their home. This would then have to be approved and agreed by the Society. Essentially, upgrades are for the household's own use-value rather being able to realize this in cash terms through an increase in the value of their equity.

Thus, in terms of goods in the marketplace homes in Lilac are rather more like cars than houses. Their value goes up year on year in relation to what consumers can afford but not excessively so, and their value depreciates annually and linearly due to wear and tear by the owner. It really does get people thinking differently about their housing. This is the challenge of our age.

What happens when households come and go?

Coming and going is not straightforward. Members are acquiring a 20-year lease, so it's similar to buying a home in terms of commitment. The reason it is capped at 20 years is to avoid a legal situation called 'leaseholder enfranchisement' where, after a period of 21 years, a leaseholder is entitled to acquire the freehold title of their house. This would effectively demutualize parts of the MHOS. In return for the lease,

the member takes on the responsibility to pay for a certain amount of equity allocated to their house. Leaving a MHOS entails cancelling your membership and then reassigning your equity to whoever comes in to take over your home. The main point, just like a conventional mortgage, is that if you cannot realize the value of your property from an incoming occupant then it's likely you won't move. You essentially have to wait until a new occupant comes along. A house may have acquired all or only some of their equity. A final statement will tell them the value of this, taking into consideration appreciation and depreciation. As mentioned, the real innovation behind the MHOS is how it dampens equity value by pegging it to wages rather than house prices, thus avoiding homes in Lilac becoming an asset bubble that people can speculate on. Members may only obtain any increase in the value of the equity if they have lived in their homes for three years or more – again another mechanism to reduce high turnover and instability in the community. Even then, the value of the increase is shared, with the household getting 75 per cent of it and the Society retaining 25 per cent.

As with any lending arrangement, in the early years more of your repayments go towards paying bank interest. Thus the longer the member lives in the mutual home ownership project, the greater proportion of money will go towards buying their equity rather than paying bank charges. Understandably, people have suggested to us that this kind of model sets itself apart from the normal housing market and may lock members out of returning back into it. This may be partly the case, but unless efforts are made to tackle housing speculation, greater problems of locking out a whole generation from accessing decent housing will continue. The hope is that there will be a steady growth of this kind of project throughout the country and beyond through which members can move. It creates a kind of parallel mutual housing market which can combat speculation on a much wider level. We made a picture to represent what people take with them in different scenarios (see Figure 5.5).

On leaving, equity acquired by the household is repaid. This amount of money taken out of the Society has to be replaced either through the incoming member, by allocating shares internally to other members who can afford them, surplus from the equity fund, or remortgaging from the

bank given that the entire project will increase in value year on year. Clearly, this latter option is the least desirable given that it's the most expensive route, and is only really possible in future years. In a real emergency, if all the other routes were exhausted, various other third sector lenders can be accessed to plug shortfalls, albeit at slightly higher interest rates.

What happens when members leave?

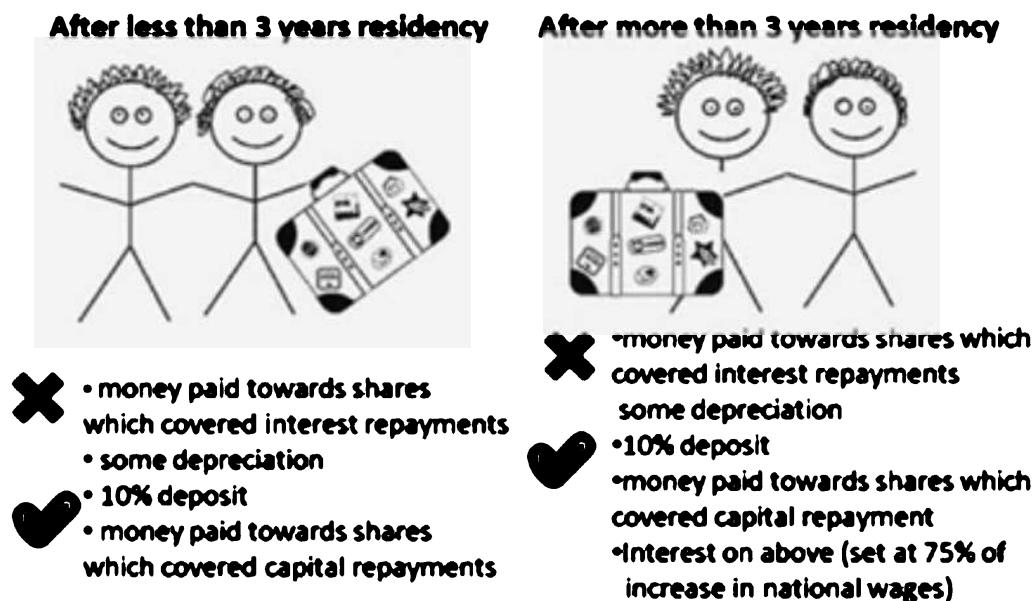


FIGURE 5.5 What happens when you leave Lilac?

Source: Lilac.

Managing complex finances at the grassroots

We reached a certain point where Tash, in her role as treasurer, would explain complex algorithms and mathematical assumptions through spreadsheets and PowerPoints. She managed and monitored the project finances from our cramped home office using several computer spreadsheets. The whole operation had to shift away from being reliant on Tash and run from our home. What we needed was a professional and reliable solution to how we handled complexity through a user-friendly interface that could enhance common understanding across a diverse membership. We couldn't go any further without a dedicated financial

manager which we didn't have and couldn't afford. We asked around to see what software packages were out there that could help us. There weren't any. We really were breaking new ground. But we had a capacity issue.

As luck would have it, Tash's brother was a software designer who specialized in making interfaces that were human-friendly, as his company put it. What we needed was to distil all the complexities of the MHOS model, and the complex formulas that calculated how they are allocated, appreciated and depreciated in a way that each member could interact with. We needed to be able to manage and check that everything was working, monitor the cash flow of the Society, and provide members with a transparent way of checking their finances.

It was in this context that Dwell was born. Dwell is now an amazing piece of user-friendly software that we had to conceive and get someone to design and build. In the end, the Society chose Tash's brother's company Maldaba, to do this. They had the perfect combination of high-level mathematical thinking combined with a passion for creating interfaces, so other people don't have to be good at maths! We spent several workshops chatting to Maldaba about how Dwell would work so that they could go and build it (see Figure 5.6). Dwell holds all the information on leases and payment histories, and is our online tool for tracking maintenance requests, of which there were many in the early days! Dwell includes the following:

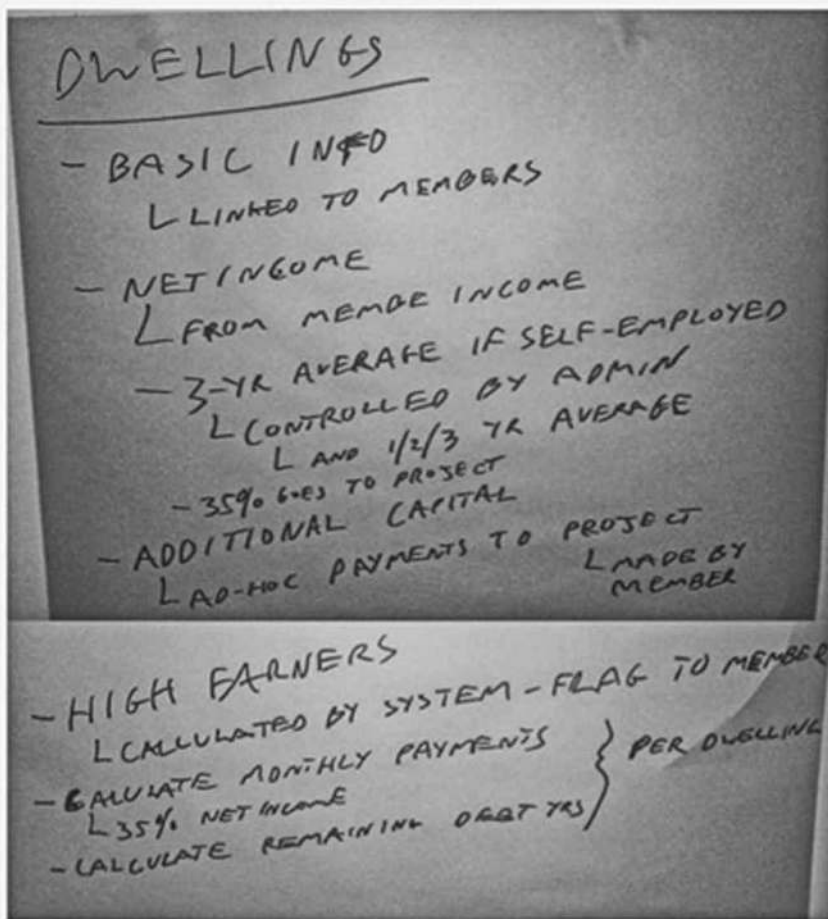
-
- *Unit management.*
-
- *Document repository for paperless filing.*
-
- *Maintenance module for handling routine, cyclical and end-of-life/planned maintenance.*
-

MALDABA

SOFTWARE DEVELOPMENT FOR HUMANS

- Administrators will be able to declare members as self-employed, and can choose to draw an average salary over the last 1/2/3 years of income information.
- Users can link Income/Expense information to files in the Document Store.
- The 12-month date-period for Income/Expenses will be set by the member.
- Some items will carry rules (such as Pensions, which will be capped how much can be considered an expense.)
- The system will calculate a member's 10% deposit based on income information stored.

Dwellings



- Dwellings' basic info will consist of the following (as agreed in the proposal):
 - Address
 - Size



Olive House 32 Holmes Road London NW5 3AB
07866 462 710 admin@maldaba.co.uk www.maldaba.co.uk
Maldaba Limited Registered in England No. 5187518 VAT Registration No. 68 9402303 66



FIGURE 5.6 Designing Dwell

Source: Maldaba.

- *Contractors' database.*

- *Works orders management.*

- *Financial projections and modelling.*

- *Income reconciliation, integrating with most accounting packages via batch processes.*

- *Annual statements, including shares, appreciation, depreciation, tenancy details, etc.*

Dwell is a wonderful concept, although the name was a difficult choice. We wanted something that didn't sound too techie or managerial, but which felt homely. Dwell in many ways is like a close friend that helps you interact with the Society. I've come across many groups who have confidently told me that they have all the in-house financial expertise they need. That has given me a wry smile as I imagine their workload increasing to breaking point as they try to manage this as a bedroom operation. However, as with all grassroots initiatives people have to come to their own conclusions. Dwell is a key part of community capacity building to enact low impact living.



FIGURE 5.7 A fictitious member’s home page on the Dwell website

Source: Maldaba.

Making the MHOS work legally

Given the complexity of the MHOS there is quite a significant legal framework that underpins it. This was crucial to protect the interests and mutual status of the Society. As with all areas of Lilac, legally there was a huge amount to think through and create for the first time. Each aspect is quite pioneering in its own right and it’s worth having a quick look at them.

The Rules

Unlike private limited companies, the governing documents of cooperative societies are called Rules. Ours date from 2009 when we incorporated as a legal entity. It sets out our objectives, our powers, and our roles and responsibilities. As I discussed in Chapter 3, Lilac is a bona fide member cooperative registered as an Industrial and Provident Society (IPS). There are upsides and downsides to this kind of legal structure. The downside is that the public will regard a bona fide member

cooperative as more narrowly focused on the interests of a small group (unlike a cooperative for the benefit of the community which has a broader focus on the interests of a much wider public). But we took the decision to be a bona fide member cooperative because we really wanted to prioritize member-led self-governance and self-management within a smaller cohousing context. We could have created a Community Land Trust (CLT) acting as a broader community interest framework in which the MHOS would sit. However, we felt that this would create a complex two-tier structure of governance which was not necessary. In the longer term, a CLT is probably a useful vehicle which could own and govern a number of smaller cohousing cooperatives. The following is an extract from our Rules which sets out our objectives.

The objectives of the Society shall be:

The provision, construction, conversion, improvement or management on the Cooperative Principles as set out in Appendix 1 to these rules [the 'Cooperative Principles'] of housing exclusively for occupation by members of the Society under the terms of a lease granted to them by the Society or under the terms of a tenancy of property owned or managed by the Society solely or jointly with another member or members which shall, if it is a lease granted to them by the Society:

- include rights to purchase equity shares in the portfolio of residential properties owned by the Society;
- exclude all rights for a member to purchase the individual dwelling s/he occupies;
- exclude any right to dispose of or assign the lease to any person other than to a person who is a member or prospective member of the Society in accordance with the terms of the lease and with the prior written consent of the Society;
- include the right of the member to assign his or her equity shares in the Society when they assign their lease in accordance with its terms or at such other times with the consent of the Society as the equity share scheme in the lease permits for a value determined by the formula for valuing equity shares set out in the lease;
- require the member to assign the lease to the Society or, at the Society's direction, to a member or prospective member of the Society on ceasing to be a member.

The rules are a hefty and important document and over the years we have tried to distil its essence so that it is widely understood by the members. Early on, I did this visual summary of it so that we could explain really simply to people how the Society functioned as a legal entity at a very broad-brush level (see Figure 5.8). One of the interesting things this shows is the different levels of quorum. For example, at our general meetings we need one-third of the membership to be present and for our board we need half of board members to be present. To make structural changes high levels of agreement are needed. For example, to change a rule it requires the agreement of two-thirds of people at a meeting, and to dissolve the Society would require, namely the agreement of three-quarters of its members. However, as I explain in the next chapter, we use consensus decision making in all our meetings. Thus we would only ever vote if agreement could not be reached at three consecutive meetings using consensus. Up until now this has never been the case. And because consensus works so well it's not likely that we will ever have to fall back on voting.

The rules set out that we are a particular kind of cooperative, a Mutual Home Ownership Society, that issues equity shares to its members. In the rules, it is explained in the following way:

The Society shall be entitled to enable members to hold an equitable interest in the value of the housing assets owned by the Society through owning and financing equity shares issued by the Society. The total value of the equity shares issued by the Society shall not exceed the initial value of the housing assets owned by the Society on the date on which the housing owned by the Society first became available for occupation by members.



FIGURE 5.8 My sketch of how Lilac functions as a legal entity

Source: Lilac.

Options agreement

The rules were only a starting point in the legal framework which runs Lilac. As we developed our membership base we realized that we needed a mechanism which committed members to the project. After all, people could say they wanted to live in Lilac and then simply walk away later on. This binding commitment was achieved through a document called an Options Agreement which all members had to sign before their homes were ready to be occupied. It basically gives residents an option on their home. It's also more endearingly known as a 'put and call agreement'. What this refers to is that when the member is 'called' on to take up the lease, the Society has an obligation to 'put' it to them. This is refreshingly simple compared to the legal speak we had to interpret over the years.

The Options Agreement is signed by each member when they pay

their deposit.

Every household pays a deposit equal to 10 per cent of their allocated equity shares. We stipulated that members had to pay 5 per cent of this before we bought the land, or the whole 10 per cent if they joined after we bought it. These deposits gave us our war chest and locked in the members to the scheme so that we knew we had a viable project. The bank, for example, would not sign off our loan until we could prove we had reached 75 per cent commitment to occupancy before the build even started. We achieved this and we were full well before the project was complete. This shows the real demand for this kind of low impact living arrangement. The Options Agreement had an end date. If that date was reached, the members would have their deposits repaid and the project would presumably be wound up. Thankfully this was never reached!

The lease

The lease is the key document that underpins the relationship between the member and the Society. It sets out how the MHOS works and the obligations on behalf of the member and the Society. Responsibilities are shared in the lease. We were very clear who was responsible for what. The full list of shared maintenance responsibilities is given in Table 5.3.

The lease and the rules sit together as two halves of an integrated whole. Having two documents is an oddity of the arcane nature of English cooperative law. At the time of writing, moves were afoot to bring the UK into line with many other countries and create a unified cooperative legal framework so a separate rule and lease document would not be necessary. In order to maintain the mutual status of the Society, the lease requires the member to remain a member of the MHOS until they assign their lease and equity shares to an incoming member. Any notice of termination of membership of the MHOS actually constitutes a breach of the lease, allowing the Society to terminate the member's occupancy and assign the lease and equity shares to a new member.

We spent a whole year drafting and checking one particular part of the lease – Schedule 6 – which explains the workings of the MHOS. This was the first time it was done and it had to be explained in some detail. Tash and I would pull our hair out as we had to patiently explain it to

each other and then get our solicitor to draft it into legal speak. Things would get lost in interpretation so we had to redraft it again! It had to be exactly right, which was rather terrifying. It was like sitting an exam without much guidance, or even anyone who would mark it. But you still had to get an A+. Even Schedule 6 runs to four pages. The following is a small extract to give you a flavour of the kind of text we had to write.

TABLE 5.3 Maintenance: who is responsible for what in the lease?

Society's responsibilities:

- 1 Lilac is responsible for maintenance and repair of all exterior walls and roof.
- 2 Lilac is responsible for all cabling and plumbing, pipes, sewers, drains, mains ducts, conduits, gutters, wires, cables, channels, flues inside and outside of the house.
- 3 Lilac is responsible for external decoration of the buildings.
- 4 Lilac is responsible for equipment for gas, hot water, space heating, electricity (light fittings, etc.), basins, baths, sewerage and sanitation in homes.
- 5 Only the society can apply for planning permission.

Member's responsibilities:

- 1 Member is responsible, and hence pays, for repairs due to negligence or intentional damage.
- 2 Member is responsible for keeping unblocked pipes, sewers, drains, ducts, conduits, gutters and watercourses inside or only serving the property. Member would pay for any unblocking or obstructions so that services are in working order and the lavatories properly cleaned.
- 3 Member must keep windows and doors serviceable and replace light bulbs, fuses and broken glass.
- 4 Member may decorate at their own cost in accordance with our home modification agreement.
- 5 Members must keep their gardens cultivated and well maintained (in line with front gardens agreement).
- 6 Member must keep windows cleaned and grounds tidy.
- 7 Repairs done by the member do not impair or reduce the environmental performance of the building.

- 8 Member must return the property in 'as good condition as when they arrive' evidenced by photographs. Member must pay for any repairs that need doing. This may be done by member or it is taken out of ES on leaving if not done so.
 - 9 Member must use the recycling and rubbish facilities provided by the Society.
 - 10 Member cannot put up aerials or signs.
 - 11 Member cannot apply for planning permission.
 - 12 Member cannot make any new connections to pipes or cabling without the Society's permission.
-

Source: Lilac.

SCHEDULE 6 EQUITY SHARE SCHEME

- 1 The Monthly Charge shall be 35 per cent of Net Disposable Household Income (as defined in the Appendix) (or such other percentage as shall be determined by the Society in general meeting acting reasonably). The Monthly Charge of the Member must be sufficient to service 90 to 110 per cent of the Society's loan repayments relating to the Member's portfolio, such sum to be reviewed from time to time by the Society acting reasonably.
- 2 If a Member's Net Disposable Household Income rises the Society can require the Member to be allocated such further Equity Shares in the Society which the Member is deemed by the Society (acting reasonably) to be able to afford. The Member is obliged to accept such further Equity Shares and to finance them, provided that the Member's Adjusted Monthly Charge is equal to or less than the Net Disposable Household Income limit in Clause 1 above.
- 3 If an incoming Member cannot afford to be allocated all of the outgoing Member's Equity Shares, the Society can require an existing Member to be allocated the remaining Equity Shares of the outgoing Member pursuant to Clause 2.
- 4 While the value of the Equity Shares of the Member shall increase from the date the Member occupies the Property, on vacating the Property the Member shall only be entitled to any increase in value if the Member has lived in the Property for more than 3 years. The increase in value shall be the same amount as the equivalent increase in the Index of Average Weekly Earnings (or any successor index thereto).

- 5 The Society will establish the Lilac Equity Fund to accept contributions from Members who meet the criteria set out in the Society's High Earners and Additional Capital agreement from time to time or those who have acquired the full amount of their Equity Shares deemed necessary by the Society acting reasonably (as defined in Clause 7 below), such shares to reflect the amount required to finance the Development Costs apportioned to the Property together with any capital improvement or repair costs. The Lilac Equity Fund will be utilized for the benefit of Members in accordance with the agreement agreed by the Society in general meeting from time to time.
- 6 At the Base Valuation Date each Equity Share shall have a value of £1.
- 7 The total number of Equity Shares issued by the Society to Members shall comprise:
 - 7.1 the total Development Costs;
 - 7.2 the additional Equity Shares issued by the Society acting reasonably to fund capital improvements or repairs to the Development;
 - 7.3 additional Equity Shares issued by the Society acting reasonably to reflect the value of improvements approved by the Society and carried out by the Member to the Property (or carried out by the Society), such value to be assessed by an independent valuer appointed by the Society (acting as an expert and whose decision shall be final and binding).

DIY conveyancing

One of the ways in which we really kept costs down was to do as much legal work as possible ourselves. Our solicitor, Ian Moran, was incredibly helpful. Right from the beginning he was always available for a meeting to explain the finer details of what we were trying to achieve in legal terms. There are so many tasks to be done in terms of preparing leases, submitting documents to the UK Land Registry, and paying Stamp Duty Land Tax (SDLT) to the UK government's Treasury Department. What we were actually doing in legal terms was selling 20 homes. Normally this would all be arranged by solicitors and the buyer would simply turn up at a solicitor's office at a prearranged time to sign several forms and all would be done and dusted – for a fee of course. Much of this we realized we could do ourselves but it took an incredibly

long time. Many evenings were spent preparing detailed mail merges and letter templates, filling out forms, collecting information and getting signatures from dozens of members. It saved us thousands of pounds but took hundreds of hours!

There was a long learning process and many phone calls to agencies to make sure we were doing the right thing. We had to have many conversations with the government's tax office to try to explain and clarify to them exactly who and what we were. This took rather a long time because what we were doing was brand new in terms of housing tenure. They couldn't quite understand what we were and how to charge us in terms of taxation. Similarly, we had to figure out how to deposit a house lease to the Land Registry. This was amazingly complex and involved getting together quite a few documents which included: the lease itself, an application form, a form signed by a solicitor confirming the identity of the leaseholder, a similar one for the Society, a confirmation letter from the bank and a confirmation letter from the local authority. There is an impressive and complex amount of legal work that sits silently behind the pleasures of community life. I urge groups to go into this fully prepared.

The wider affordability benefits of mutualism

One of the things about Lilac as a member-led cooperative is that first and foremost we are a financial cooperative. In monetary terms, we stand and fall together as a community. This also means we have many safeguards built in to support our members in times of financial hardship. Here is what Lilac typically can do before it would have to take the drastic measure of terminating a member's lease:

-
- Residents might have mortgage protection insurance to cover payments.
-
- Change to a rental contract and get housing benefit if eligible (shares frozen).
-
- Lilac Equity Fund could be used to fill temporary payment gap.
-
- Resident uses savings to pay off equity shares, so lower net income is sufficient.
-
- Other members with higher incomes take on some of the shares.
-
- Residents move to a smaller property.
-
- In the final instance, residents are given notice to leave Lilac.
-

These safeguards have incredibly positive well-being effects. Knowing that you will be fully involved in decisions affecting your housing situation, as well as the security provided by being part of a cooperative that is legally bound to look after your interests, is incredibly beneficial. Mutual forms of tenure and more communal living arrangements, then, offer a whole host of opportunities that can also make living more affordable. Some of these are measurable, some less so.

One of the main forms is the extra financial security offered by the mutual tenure type, especially with outgoings on housing set at 35 per cent of net income. This may have to go up if interest rates rise but in general it should stay at that level. This figure may seem a little higher or lower depending on previous experience. But the main benefit is that it provides continuity for the duration that the member is acquiring equity. As is clear now, the monthly member charge also includes so much more than the home. It includes access to the Common House, shared landscaped areas, allotments, as well as a range of social relations between members. Member-controlled housing offers further real benefits in terms of the well-being and happiness of residents. The extra financial security is something for which people in Lilac state they are happy to pay extra for that piece of mind that they are involved in managing their own housing. All residents would be equal participants in figuring out solutions if things went wrong.

Beyond actual financial outgoings on housing, there are a range of

other financial benefits that the cohousing and cooperative model offers, all of which can further extend affordability. The following are a few of them that we observe on a daily basis. I've made some rough estimates of cost savings against various items, and taken together these could offer substantial weekly savings to a household's outgoings.

- *Intra-community lending becomes quite widespread in a cohousing context on an informal or formal level. For example, somebody could make a batch of jam or cook some pizza and share the surplus with their neighbours. These kinds of gifts could save a household around £5 per week.*
- *Tools are shared in the workshop which means that people don't have to buy a whole range of garden and DIY items such as lawnmowers, rakes, spades, power tools and ladders. These could save a household around £100 a year.*
- *Shared storage areas such as workshops and on-site laundry facilities means that extra storage space and washing appliances can be reduced within individual homes. This reduces the number of square metres needed for each home and reduces the build cost. For example, it may be possible to reduce the size of a home by 5m², reducing the debt allocated to that house by about £6000.*
- *Services may also be provided and offered within the community. One of the most obvious is childcare on an informal or formal basis, and this can save a household a considerable amount of money on a weekly basis. A household sourcing a full day's childcare from within the community could save around £40 per week.*
- *Communal meals are also one of the most visible ways in which a community can save money. Bulk buying and bulk cooking for group sizes of over 20 can offer direct savings per meal. For example, shared meals in Lilac are cooked and served for each member during twice-weekly community meals for £3 per person. Children under 5 eat for free. Eating shared meals could reduce*

a household's outgoings by £10 a week, especially since less energy is used compared to cooking privately.

- Since we only have ten parking spaces for 20 homes we had to commit to a certain amount of car sharing and pooling. From day one, we actually achieved this target with several households sharing cars. This brought immediate gains because the cost of running a car was equally shared between various neighbours. A few people actually sold their cars in order to share a vehicle. We also chose a location with very good connections to cycling and bus networks which meant getting around the city while also being less dependent on a car was more likely. Car borrowing is also widespread, which is really useful for household members who only want very occasional access to a car but don't want, or cannot afford, to buy one. Sharing a car can save over £1000 per year, as costs for tax, maintenance, insurance and servicing are all shared. Car pooling can save even more as the actual capital costs of vehicles are divided.
- Shared learning goes on in such a dense network of people around a whole host of issues such as gardening, home cooking or even child rearing. Rather than access courses for a fee, there's a huge amount of skill sharing occurring which is offered free by neighbours. There's also a range of occasions when popping to a neighbour's house can find an answer to a DIY, electrical or computer problem. Such activities could mean, for example, a household saving money because they do not have to buy in the services of external contractors.
- Shared laundry facilities can also yield real savings. As well as not having to buy and maintain washing machines, washing detergent is bought in bulk at lower prices. Electricity and water is also paid for communally. All this could add up to savings for a household of £200 per year.

In summary, Lilac represents a fairly complex and multifaceted approach to trying to embed patterns of low impact living which show a commitment to economic and social, not just environmental, justice. We mainly try to do this through our clever and pioneering Mutual Home

Ownership Society model. But it is also about a context where shared and more cooperative living can bring direct cost savings to daily life. These need to be constantly explored and new areas found to reduce the overall environmental and economic footprint of a neighbourhood.

Notes

- 1 See Schor (2010).
- 2 The report *Common Ground* by the New Economics Foundation and others back in 2003 reviewed the different types of mutual and equity housing products on the market and first proposed the Mutual Home Ownership Society model. See <http://www.cds.coop/about-us/publications/common-ground-for-mutual-home-ownership>. See also Woodin *et al.* (2010).
- 3 See Commission on Co-operative and Mutual Housing (2009).
- 4 Figures 5.3 and 5.4 are for illustrative purposes only. To preserve the confidentiality of member finances, it is not appropriate to present absolute figures.

6

COMMUNITY: COOPERATING COLLECTIVELY

As much as constructing walls, Lilac builds community. It's odd to think of it in that way. But the social fabric, rather than just the physical fabric, is actually central to Lilac. What's the point of creating beautiful places without a community that is going to nurture and thrive in that place? Community building is often overlooked. It's the less visible aspect behind all the day-to-day busy-ness of construction, policy and planning issues. This chapter explores Lilac's efforts to build and maintain a strong community. Rather than seeing buildings and people separately, then, we need to think in terms of co-dependency. A low impact project is a set of complex interactions between social, cultural, emotional, technical, legal and ecological systems. Together, they form a holistic, interdependent whole.

Overall, our approach is defined by the idea of cohousing and in this chapter I'll explain what this means to us and how we put it into practice, and why we want to organize our lives collectively. It will look at our evolving approach to how we make effective decisions together, how we deal with problems and try to overcome them, and how we use community agreements to do this. It will also explain how we operate as a membership society and how we recruit members, as well as how we reach out to the local community.

Cohousing: building a life together

Lilac has always thought of itself as a cohousing community or project. This has been really useful. It is an internationally recognized movement, and one that is growing in the UK. It functions on a number of levels. At its most basic, it is a design methodology for how planners, architects and community groups can co-design homes, putting interaction and neighbourliness at the centre. More profoundly, it is a way of living that challenges the increasing fragmentation and individualization of modern life. And it is also part of longer attempts to make cities more people-centred.¹

Cohousing is an established method of building community-led housing, typically

with a range of around ten and up to 40 dwellings. Below that there is not enough critical mass, and above that a feeling of community becomes diluted and fragmented. The exact size of the cohousing movement is difficult to discern due to variations in definition and the frequent turnover of projects. But to get a scale of the sector internationally: there are hundreds in Denmark which is commonly understood as the birthplace of the cohousing movement, around 300 in the Netherlands and over 100 in North America. According to the UK Cohousing Network, in 2013 there were 16 cohousing communities in the UK, with 45 in development. Smaller numbers also exist in Australia, New Zealand, Germany, France and other Scandinavian countries. The evolution of cohousing has taken different paths in different places. The early Scandinavian examples, especially in Denmark from the 1960s, were very much based on highly egalitarian values, and grew to a considerable proportion of national housing stock.² North American cohousing communities flourished during the 1990s and were part of a distinctive new ‘urbanist approach’ to downtown renewal which responded to the excesses of American urban blight, sprawl and the dominance of cars by introducing more people-centred and fine-grained approaches to urban design. However, some are relatively gated and costly developments, which to some extent has done little to alleviate the problems facing inner-city USA.

It’s too early to discern any particular trend within UK cohousing. Some share a history with more radical and counter-cultural intentional communities while others have merely replicated the Anglo-Saxon preoccupation for owner-occupied tenures. More interestingly, and a route where Lilac fits in, is that there is a productive overlap being forged between cohousing and the growth of community-owned and mutual housing that is affordable in perpetuity. There is a natural affinity between cohousing and cooperative housing, as many cohousing groups seek to manage their own affairs, and place community values over profit. So it’s important to stress that cohousing is not a tenure type. But a priority is that as cohousing continues to grow, it also promotes affordable tenure types that remain so in perpetuity.

Cohousing focuses on the idea of designing housing to promote more interaction between residents using a mixture of individual dwellings around shared spaces, often based on certain kinds of ‘intentional’ values that help shape group behaviour and ethos. These values may vary from explicit ones, to more implied and less visible ones. It’s worth stating that we don’t formally see ourselves as an intentional community which overtly foregrounds values be they spiritual or ecological. Nevertheless, Lilac’s name and values are directive enough to attract residents with a strong commitment to social and environmental justice in the first instance.

WHAT IS AN INTENTIONAL COMMUNITY?

The definition of an intentional community normally relates to a situation where groups of mostly unrelated people live together dedicated by intent to a specific common value