

Welcome to the Syndicate – How social ownership can provide affordable housing

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ABSTRACT: This paper explores the case of the “Mietshäuser Syndikat” – or Apartment-house Syndicate – a German organisation supporting the creation of affordable housing through a non-speculative homeownership approach, and its underpinning concept of social ownership (Stone, 2006; Mietshäuser Syndikat, 2013). The paper aims to contribute to the existing literature on social ownership within the context of the current affordable housing debate. Firstly, it will review the concept of social ownership as presented by Michael Stone (2006) and how the “Mietshäuser Syndikat” case, as an example of this alternative ownership concept, is organised and operated in order to provide and maintain its long-term affordability. This will be done by juxtaposing literature and other publications on social ownership and the “Mietshäuser Syndikat”. Secondly, this paper will discuss the viability of this affordable housing model being implemented on a larger scale, and how the underpinning alternative ownership concept can contribute to affordable housing policies.

KEYWORDS affordable housing – social ownership – Mietshäuser Syndikat

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1 Introduction

This paper investigates the potential application of Stone’s Social Ownership concept to the provision of affordable housing (Stone, 2006). The application of this ownership concept is explored through the case study of the “Mietshäuser Syndikat” – or Apartment-house Syndicate - a German organization supporting the creation of affordable housing through a non-speculative homeownership approach (Mietshäuser Syndikat, 2016a). The “Mietshäuser Syndikat” organisational structure and its methods of financing are aimed at making housing accessible and affordable to all, which are core aspects of Stone’s ownership concept, and therefore making this conceptual model and case study interesting practical approaches to affordable housing provision. Furthermore, it suggests that social ownership can create a space that explores and engages with alternative housing forms beyond the solely market- or state-led approaches with its potential application to housing policy (Horlitz, 2012:1).

The first section looks at Stone’s concept of Social Ownership and juxtaposes the paradigm with the “Mietshäuser Syndikat” case study. The second section scrutinizes the broader applicability of social ownership and the German model for effectively providing affordable housing, as well as the respective limitation.

2 Main Text (1500 words) + New Insights from the conference (250-500 words)

Social Ownership and the Mietshäuser Syndikat

Social Ownership

In the book “A Right to Housing: Foundation for a New Social Agenda” (2006), Michael Stone presents the concept of “social ownership” which aims to facilitate the provision of affordable and socially just housing (Pattillo, 2013:518). Fundamental to this concept is the treatment of housing as a ‘social resource rather than a commodity’

and thus it must adhere to given criteria (Stone, 2006:240). Stone argues that housing is uniquely and inherently social as it is created, acquired, used and disposed by ‘socially created and enforced rights and obligations’ (*ibid.*:240-241). Therefore, if societies set the parameters of how housing is understood and used, alternative models of non-commodified production and ownership may consequently challenge the conventional ownership.

Stone’s concept aims to be straightforward and practical. For a house to be considered socially owned it must meet three criteria:

- ‘it is not owned and operated for profit;
- it cannot be sold for speculative gain; and
- it provides security of tenure for residents.’ (2006:241)

This “social housing” stock can encompass both publicly owned and third-sector housing and can fall under categories, but not be limited to, non-speculative homeownership and socially owned rental housing (*ibid.*:242). Stone highlights that the entity owning the house is not the determining factor of this ownership model; it is the ‘existence of enforceable provisions preventing the house from being sold in the speculative private market’ and ultimately reducing the cost of housing ‘for a growing proportion of the population’ (*ibid.*). Moreover, a security of tenure aims to provide permanence and a greater degree of control over one’s living space and therefore contribute to socially dignified and adequate standard of living (*ibid.*:243).

Miethäuser Syndikat

The “Mietshäuser Syndikat” has expanded throughout Germany since its 1992 inception in Freiburg, encompassing a total of 111 projects and 18 initiatives (Hebsaker and Dom, 2014:73; Mietshäuser Syndikat, 2016a). This model of affordable housing developed from the 1970s/80s German “Hausbesetzer-Bewegung” (squatter movement) aims to maintain the ideals of self-determined, affordable housing, and avoid the legal insecurity the “Hausbesetzer-Bewegung” suffered from (*ibid.*:64; Rost, 2012:286). The Mietshäuser Syndikat shares the ideological basis with Stone’s concept as, in addition to promoting self-determined housing that provides tenure security, it also aims to remove houses from the speculative market that are not profit oriented (Hebsaker and Dom, 2014:77). As such it fulfils the criteria to be considered ‘socially owned’ by Stone’s standards, but has steadily expanded due to its unique mechanism that ensures permanent affordability through the removal of houses from the speculative market (Rost, 2003:7).

Structure

What makes the Mietshäuser Syndikat unique is its use of the capitalist legal form the limited liability company (LLC) – the Germany GmbH – by creating a ‘circular model’ that prevents houses from being resold on the speculative market and simultaneously ensures legal security (see Figure 1; Horlitz, 2012:4; Mietshäuser Syndikat, 2013:4). Mietshäuser Syndikat has two main organizational components: individual house projects; and the ‘Syndicate’, a type of supervisory body. The house projects are organized as individual LLCs that hold the ownership title of the house (*ibid.*; Hummel, 2010:124). Each house project-LLC has two stakeholders: firstly, a housing association of the house projects tenants; second, the Syndicate-LLC. As the LLC holds the ownership title, the house neither directly belongs to the Syndicate-LLC nor its tenants (Horlitz: 2012:4). Both stakeholders have equal voting rights concerning the possible resale of the house and changes in the house project-LLCs’ articles of organization (*ibid.*). It requires a unanimous vote to re-privatize the house, which the Syndicate acts as a preventative safeguard against (Hummel, 2010:124). Through this structure, the Mietshäuser Syndikat has succeeded in preventing re-privatisation that threatens other forms of non-speculative homeownership such as housing cooperatives (Horlitz, 2012:4). The Mietshäuser Syndikat’s use of a capitalist entity generally associated with capitalist means of production to achieve

self-managed and non-profit oriented goals, shows that Stone’s concept of social ownership can be effectively implemented within the capitalist framework and yet maintain the stability and affordability of housing (Wendt, 2014).

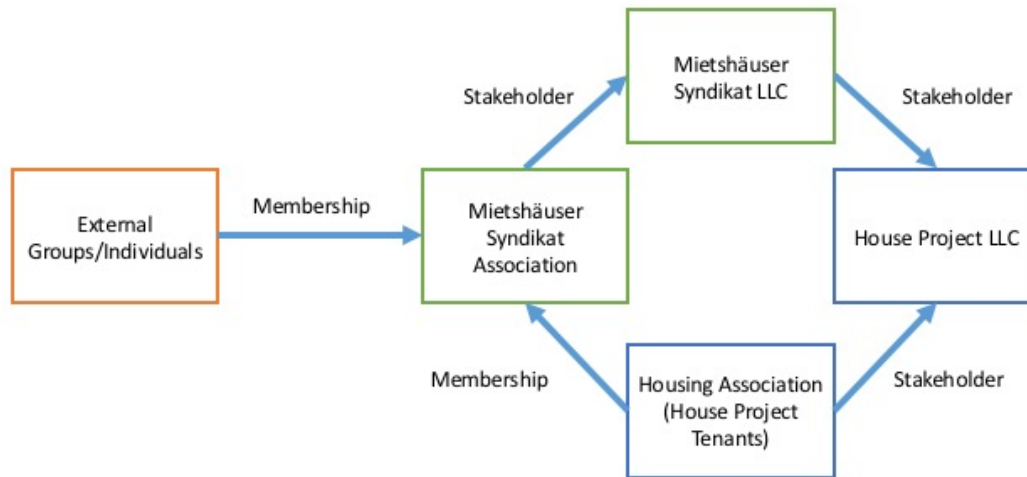


Figure 1. Circular model of legal provisions preventing speculative resale (arrow = voting rights) – authors adaptation of diagram found “Mietshäuser Syndikat” (2013:7)

The Syndicate component, or overarching supervisory structure, of the Mietshäuser Syndikat organisation is comprised of two entities: firstly, the Mietshäuser Syndikat association that includes all members of the individual house projects and interested external individuals; secondly, the Syndicate-LLC as the associations’ legal arm, operated by the Mietshäuser Syndikat association (Hummel, 2010:124). The syndicate not only functions as a body that prevents the re-privatisation of the houses, but it also acts as a ‘networked of self-organised house projects’ and advisory body for other initiatives starting out (Horlitz, 2012:3).

The Mietshäuser Syndikat and housing association’s mutual goal is to provide people with secure tenure and autonomy that is affordable that cannot be changed without their consent (see figure 2; Hummel, 2010:124; Vey, 2016:68). As a result, each housing project is completely different and fulfils the needs of their tenants – their commonality lies in the legal provisions preventing speculative resale and operation for profit (Horlitz, 2012:3; Mietshäuser Syndikat, 2013:13). Therefore, this organisation effectively de-couples the traditionally linked concept of ownership and resale/profit, creating a new ownership structure that ensures empowerment and affordability (Wonneberger, 2011:91).

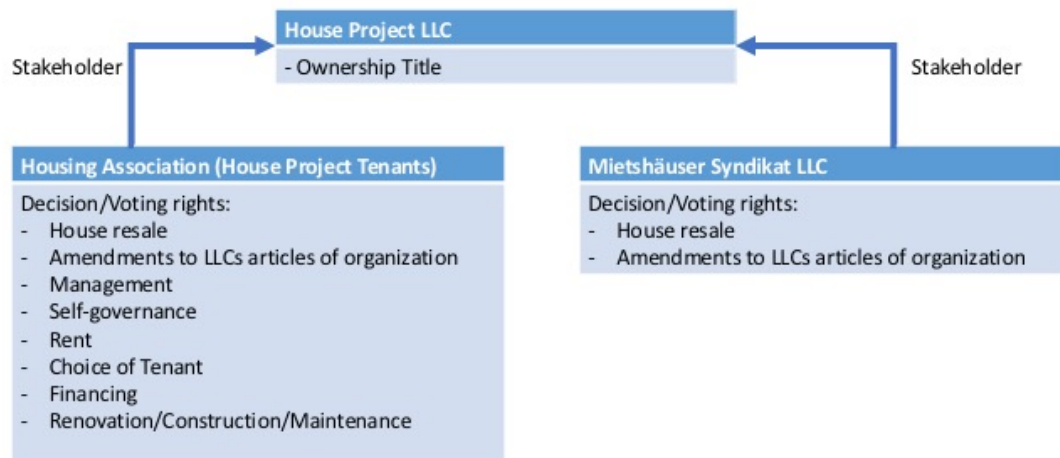


Figure 2. English adaptation of diagram explaining decision-making structure of Mietshäuser Syndikat house projects (Hebsaker and Dom; 2014:70).

Financing

What further makes this model more affordable, despite the houses' removal from the speculative market, is that tenants collectively raise money for down payments, and financing relies primarily on low interest direct loans (0-3%) from individuals that support the initiative's ideals (Horlitz, 2012:4). The repayment of the loans occur through the rent paid by each tenant, which is set by the housing association in accordance with the tenant's financial capacity (Hebsaker and Dom, 2014:70). In addition to loan repayment, the house project members contribute a small monthly amount – 10 cents per m2 – to the Mietshäuser Syndikat association's Solidarity Fund (*ibid.*; Horlitz, 2012:5). The Syndicate uses this fund to negotiate public relations, raise awareness, for advisory services/guidance for new projects, as well as helping finance new initiatives through low interest loans, and contributing to the cycle of removing houses from the speculative market (*ibid.*). Thus, the model is not only concerned with the affordability of the individual housing project, but is more collectively and socially oriented, aiming to increase the overall stock of affordable housing (*ibid.*).

Broader Implementation

The Mietshäuser Syndikat case study shows that Stone's concept of social ownership can be applied and expanded successfully on a national scale. The shortage of affordable housing is an international urban challenge, and there has been growing interest and demand of the Mietshäuser Syndikat model to expand beyond Germany (altherNation, 2013). The Mietshäuser Syndikat, however, has recognised its limitation of expanding beyond the German boarder as the foundation of its non-speculative ownership model is specifically tailored to the German legal system due to the specificity of LLC regulation from country to country (*ibid.*). The Syndicate component of the Mietshäuser Syndikat organisation is aware of this limitation, and instead compromising its orientation towards affordable, self-determined housing through international expansion, is using its network and advisory capabilities to help interested parties in other European countries set up a country specific Mietshäuser Syndikat, currently being implemented in Austria and France (Miethäuser Syndikat, 2016b). Furthermore, the legal foundation of the

syndicate's activities highlights another problem: it requires a stable legal regulatory framework to exist and effectively operate, even if a supportive policy framework is missing. This would limit the creation of country specific Mietshäuser Syndikat style initiatives to countries with a strong and enforceable legal regulatory framework. As such, the Mietshäuser Syndikat model of social ownership shows the limitation of the provisions, in this case legal provisions, which prevent the speculative resale of houses being translated to a bigger scale.

However, the breadth of Stone's concept may actually be beneficial for a wide contextual applicability in housing policy, through incentives and opening space for creative and self-help forms of housing. The benefit of this concept's application is that this 'social housing' sector can co-exist with the private sector, and incorporate public and third sector depending on context (Stone, 2006). It opens up space for creative production and discourse surrounding housing while 'putting housing within everyone's reach' (Pattillo, 2013:520). The incorporation and promotion of housing that falls under the Stone's social ownership concept into housing policy approaches could not only provide a creative mechanism for government/public housing provision to be approached, but would also empower citizens to become actively engaged in creating affordable housing and filling market gaps. Moreover, this policy incorporation would address one of the main criticisms levelled at alternative homeownership models which lack policy backing, causing them to remain small and mainly project-focused (Horlitz, 2012:5). It could therefore create a policy foothold for such alternative approaches to provide affordable housing.

As posited above, housing is uniquely and inherently social as it is created, acquired, used and disposed by 'socially created and enforced rights and obligations' (Stone, 2004:240-241). The broader application of Stone's concept would therefore acknowledge that housing and ownership are spectrum concepts (*ibid.*). This opens a space for all citizens to engage in the production and use of an inherently social entity, all while alleviating some of the burden of housing provision from the state and market (*ibid.*). Thus by incorporating and acknowledging alternative means of home ownerships and the production and consumption of housing, it becomes clear that the provision of housing goes far beyond the commodity value attributed to it, but rather housing itself can be interpreted as a process. Moreover, by removing the commodity character and understanding housing, and its production, as a process and spectrum, it may change people's relationship to the production and consumption of housing, urban space and their enactment of their right to housing, and their right to the city. This, however, would warrant further investigation.

3 Conclusion

With a growing demand for affordable housing, alternative forms of housing ownership are becoming acceptable concepts, and are being expanded and in some cases more attractive than 'conventional homeownership', (Stone, 2006:256). This paper has aimed to investigate how social ownership, an alternative to conventional homeownership, can be used to provide affordable housing in the context of a global shortage of adequate housing. The Mietshäuser Syndikat case study has shown that it is possible to create the provisions to maintain housing affordability, as well as security of tenure. However, the case study has also highlighted the problem of scaling up the provisions that prevent the speculative resale of housing and therefore a 'one-size fits all solution' to affordable housing provision. This limitation is not only faced by the Mietshäuser Syndikat but is also by other alternative ownership models (Horlitz, 2012:3).

Many affordable and non-speculative housing initiatives that are successful, such as the Mietshäuser Syndikat, face the criticism of being project-based and not based in and supported by policy, and would require policy backing to expand and effectively tackle the growing need for affordable housing (Horlitz, 2012:5). It with regards to this

limitation that Stone's proposal of this fairly broad, alternative concept to private and the traditional public housing provision, opens up a creative space for dialog and practical application. Because it is broadly applicable, alternative models of affordable housing can be specifically developed to fit a context while adhering to the conceptual criteria, thus fostering a maintainable affordability and tenure security, such as the Mietshäuser Syndikat has done in the context in which it was developed in. By incorporating and promoting such an alternative ownership concept through housing policy, the gap between market-led and state-led housing provision could be made attractive, accessible and creatively used in the face of the current shortage of affordable housing. As such, Stone's social ownership concept may provide a framework to creating the desperately required discourse and space for practical implementation that many alternative affordable housing models need.

Moreover, besides aiming to provide the foundation for the creation of affordable housing, the socially oriented foundation of this ownership concept would also be acceptable to change the parameters of how housing as a socially created resource is perceived, produced and consumed. This could propagate methods of fostering the human right to housing, but also impact the way people are able to claim their right to the city through ideas of self-determined living. This could further impact the development and regeneration of neighbourhoods and cities (Vollmer, 2015:220; Wendt, 2014) more broadly, possibly tackling other challenges that urban areas are facing today and in the future. However, these avenues of social ownerships impacts are beyond the scope of this paper and remain to be explored.

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