



COOP Dialogue

Issue 8 - Cooperative Housing: Bridging the Urban Divide

Cover Picture: Snapshot of Coop Ville, a sustainable cooperative housing project developed by the Federation of Peoples' Sustainable Development Cooperative (FPSDC) in the Philippines.
Picture Credit: FPSDC

SUSTAINABLE POLICY FRAMEWORKS FOR TRANSITION TOWARDS COOPERATIVE HOUSING MODEL IN SAUDI ARABIA

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Housing has become one of the most important issues facing countries in the Middle East. According to the United Nations, more than 1.1 billion urban dwellers live in slums or in inadequate housing areas. The population of slums is expected to increase in the coming decades in the absence of effective housing policies. The housing issue is not related to the housing itself, but rather to the family seeking to obtain housing that is compatible with the limits of economic capacity and meets the minimum social needs. The Sustainable Development Goals 11.1 emphasizes “ensuring access for all to adequate, safe and affordable housing and basic services and improving livelihoods”. Household income and average housing costs in cities are critical factors in measuring affordability, including understanding variation in the housing market, subsidy programs, and urban legislation.

In Saudi Arabia, the real estate sector is still unable to adopt practical housing solutions that are consistent with the needs of families within the framework of sustainability. Residential neighborhoods are developed through land divisions without allocating areas that take into account social, economic and environmental diversity. Most housing support programs have come as a response to housing demand, especially in major cities such as Riyadh, Jeddah and Dammam. Urban development policies have focused on some major cities, which has contributed to attracting migration and increasing demand for housing. These urban problems may increase in the coming decades in light of the rapid urban transformations witnessed by Saudi cities.

The cooperative model is one of the methods that has proven its efficiency in many countries of the world in the context of achieving affordability. Cooperative housing relies on exploiting community efforts and collective ownership in building affordable housing projects. Cooperative housing is subject to government empowerment policies, whether in the legislative, procedural, or implementation stages. Despite the efforts made to solve housing problems in Saudi Arabia, there are many problems facing the provision of affordable housing within the framework of sustainability due to the limited housing options available to middle and low-income people. Therefore, there is a need to develop policies for the transition towards sustainable cooperative housing in Saudi Arabia.

SUSTAINABLE AFFORDABLE HOUSING CONCEPT

Much literature has addressed affordable housing in the context of sustainability. Yet, providing housing is not a strategic goal, but rather developing housing policies that contribute to achieving social justice, economic opportunities, and an integrated residential environment. Providing housing projects in semi-remote areas far from the city center or job opportunities will not be an effective solution. The broad concept of housing affordability involves improving living standards by supporting the principle of “affordable living”. This concept should take into account indirect

costs. Housing will not be sufficient in the face of high transportation costs, utility costs, and public services.

COOPERATIVE HOUSING MODEL

Cooperative housing is a form of democratic work based on community participation within the framework of government regulation of the housing sector. Cooperative housing relies on collective effort and the sharing economy to develop housing based on shared ownership. Residents of cooperatives do not directly own their housing units; instead, each resident is a shareholder in the corporation, which reduces housing costs. Therefore, the cooperative model helps to transition toward sustainability concepts because it supports community participation, affordability, resource management, self-governance, and collective management.

WHY DO WE NEED CO-OPERATIVE HOUSING?

The importance of the cooperative model comes as one of the tools for the transition to sustainable, affordable housing. However, the success of this cooperative model depends on reforming the procedural, executive and legislative structure of the housing sector.

Housing ownership rates may record high rates, but at the same time they fail to solve the housing crisis, indicating the weakness of the rental real estate market and the increase in financial burdens of mortgage fees that may extend for decades and burden families. Therefore, the home ownership factor is no longer a decisive indicator in measuring the effectiveness of the housing system; rather, it is the ability of this system to create wide and flexible housing options and a real estate market that responds to economic and social diversity within the framework of sustainability. In order to guarantee the right to adequate housing, the housing market should provide sustainable models capable of accommodating all social segments, away from fluctuations in supply and demand. The cooperative model is characterized by four main factors:

- Collective ownership: A collective ownership system that shares in a cooperative, which reduces individual speculation.
- Tenure system: The cooperative owns the property as a right of use through the payment of a monthly fee that covers the costs of construction and maintenance.
- Self-management: Residents manage the housing and share services, including maintenance.
- Cooperative financing: Enhancing collective purchasing power to build housing below market price through multiple financing from cooperatives, government agencies, NGOs, and tax exemptions.

MATERIALS AND METHODS

This article relied on the theoretical approach through an in-depth analysis of the United Nations reports on affordable housing and the concepts of sustainability. The article compared the role of cooperative housing with local efforts in the context of affordable housing. It also relied on the author's own studies, like a study entitled " A Conceptual Framework for the Activation of

Sustainable Cooperative Housing Production in Saudi Arabia (2024)" and "Evaluation of Affordable Housing and Subsidy Programs in Saudi Arabia (2016)".

COOPERATIVE HOUSING PRODUCTION

Locally, the cooperative housing concept is still unable to play a significant role in the housing sector. There are challenges facing this model including legislative, legal, funding and community awareness frameworks. The share of housing cooperatives is a small percentage that does not match the size of the housing market in Saudi Arabia. The percentage of housing cooperatives that have provided housing products on the ground does not exceed 0.3% of the total size of cooperatives in other countries [16]. This perception has affected the volume of cooperative housing production and community awareness of its role in the housing sector. The cooperative form is often viewed as a form of charitable housing. Empowering the cooperative sector requires developing the infrastructure of cooperatives to participate in increasing the housing stock in the market. Empowerment mechanisms can include granting available land for development, purchasing cooperative housing units for housing programs, and technical support.

Cooperative housing units are produced by cooperative societies under the supervision of the Ministry of Municipalities and Housing and the Cooperative Societies Council. Cooperative housing production is subject to procedures that lack a clear legislative, executive and procedural framework. Most cooperative products come from the individual efforts of their members. Yet, the effectiveness of housing cooperatives cannot be measured without developing a legal framework that emphasizes their governance and measures their outputs and impact on the housing sector.

Cooperative housing requires financial sustainability, a collective tenure system, expertise, and partnerships. Nevertheless, cooperative housing remains unable to market its products within the framework of subsidy housing programs. Most of the low-income or extremely low-income subsidy programs such as “developmental housing” purchase their housing units from the market without an enabling framework for cooperative housing as a community partner in the housing sector.

Cooperative housing production in Saudi Arabia depends on empowerment and advocacy, whether financial, expertise or grants. Land constitutes 60% of the value of a housing unit, which means that providing land grants to cooperatives can help produce cooperative housing. Although land is available within cities, most of it is owned by real estate companies or the private sector, as the percentage of land in Riyadh is equivalent to 45% of the total land allocated for urban development until 2028. Therefore, land provision can be achieved by allocating a percentage of real estate development land for residential neighborhoods for cooperative housing as an enabling approach.

On the other hand, financial support provided to cooperatives is subject to a series of bureaucratic procedures and requirements that emphasize financial solvency and construction experience. However, most cooperatives lack experience because they rely on community efforts and need support to develop an effective business model. Table 2 summarizes the main challenges facing the cooperative housing model in Saudi Arabia.

Table 2: The main challenges facing the cooperative housing model in Saudi Arabia

Level	The main challenges	Policy Framework
Systems and Resources	<ul style="list-style-type: none"> There is no legislation to advocate cooperative housing within the framework of the fair housing market. Lack of flexible urban legislation that encourages cooperative housing model in residential communities. Lack of financial sustainability including the participation of banks and the private sector. There is no clear governance framework to measure the outputs of cooperative housing associations. Shortage of land allocated for housing cooperatives especially in major cities. 	Legislative Framework
Coordination & communication	<ul style="list-style-type: none"> Bureaucratic procedures in establishing new cooperative housing associations. Overlap between the bodies supervising housing cooperatives. There is no clear business model for housing cooperatives associations. Weak communication and exchange of experiences with Arab and international cooperative associations. There is no clear framework for stakeholder engagement. Coordination and exchange of information between partner agencies due to the absence of common databases. Financial support procedures for housing cooperatives association are complex and take a long time. Poor coordination and alliance with international cooperative institutions 	Procedural Framework
Experiences and community	<ul style="list-style-type: none"> Lack of qualified expertise in cooperative housing associations. Lack of innovative sustainable architectural models that meet the needs of the Saudi family Lack of technical expertise in housing cooperatives comparing with contracting companies The lack of clarity in the concept of the cooperative sector as a developmental economic sector. Misconception about housing cooperatives as a type of charitable sector work Lack of research and studies related to the application of the cooperative model and its role in affordable housing. Lack of community awareness about the role of cooperative housing in affordable housing. 	Executive Framework

Source: Author's own depiction.

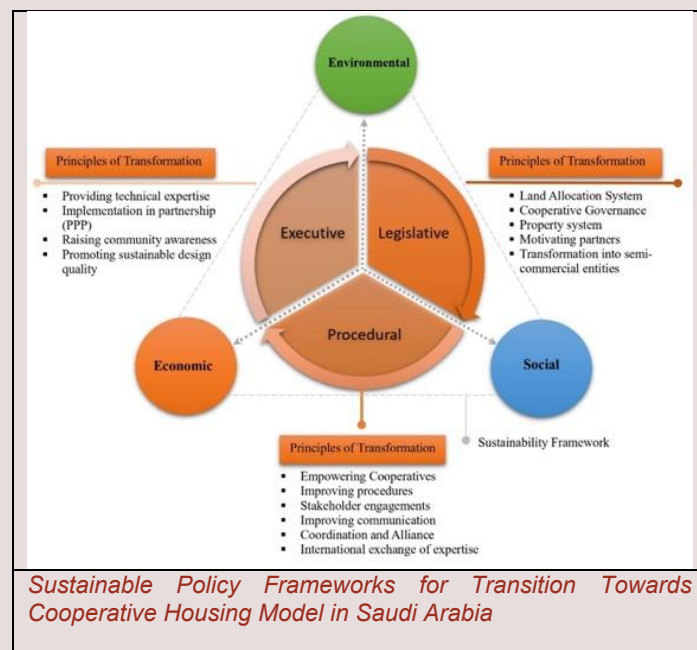
SUSTAINABLE POLICY FRAMEWORKS

Developing sustainable policies for transformation towards a cooperative housing model in Saudi Arabia is subject to reforming the housing sector's structural framework to enable cooperatives. Cooperative housing is one of the main initiatives in Saudi Vision 2030. Therefore, developing a cooperative model expresses the political will towards the transition to the principles of

sustainable development. Yet, cooperative housing is still unable to produce affordable and sustainable housing projects due to legislative, procedural and executive challenges.

First, the housing market in Saudi Arabia is based on individual ownership. Household ownership reached 63.74% in 2023 [20]. Ownership is often linked to mortgages and withholding fees that families need to pay in the long term. However, with the high prices of housing units and the limited supply of affordable housing, many families are unable to obtain housing or are burdened with mortgage debt for decades. These indicators reveal the limitations of collective and cooperative ownership options. Therefore, the housing market in Saudi Arabia needs to reform the legislative framework for real estate development in residential neighborhoods by allocating land for the construction of housing cooperatives. These policies can help increase the proportion of land within cities and stimulate the establishment of cooperative communities. The legislative framework emphasizes the establishment of legislative rules for the governance of cooperative societies through indicators measuring financial sustainability and the quality of housing products. Legislation should adopt the transformation of cooperatives as quasi-commercial entities so that they are able to compete in the housing market. Moreover, reform of the legislative system should be coupled with the development of legal systems for collective ownership, including stimulating contributions to cooperative affordable housing projects.

Second, the procedural framework addresses reforming the process of establishing cooperatives and the mechanisms for empowering them. This includes facilitating the procedures for establishing cooperative societies and enabling their products to support other housing programs such as development housing. Cooperative work depends on organized collective effort, and this requires the creation of a “business model” that can be evaluated and supports opportunities for communication and exchange of experiences with Arab and international cooperative societies and stakeholder engagement. Moreover, building frameworks for partnership, coordination and alliance with international cooperative institutions.



Third, cooperative housing production is negligible in Saudi Arabia and its contribution to the housing sector is limited. Therefore, the executive policies for cooperative housing should include providing technical expertise in housing cooperatives compared to contracting companies. This can be achieved by transforming cooperatives into semi-commercial entities to be able to compete with contracting and real estate development companies. These policies can also help develop more sustainable designs for cooperative housing. The executive framework should be accompanied by improving the stereotypical image of housing cooperatives by enhancing community awareness of organized collective work

and strengthening the system of protecting real estate property rights (see the picture on the left).

CONCLUSION

This article explores the importance of developing housing alternatives that adapt to the economic capacity of low-income people by empowering cooperatives and reforming the housing sector's infrastructure, including the legislative, procedural and executive framework. Despite the importance of cooperative housing and its contribution of more than 20% of the housing stock in many countries of the world. However, the role of cooperative housing remains limited in Saudi Arabia due to many gaps in the legislative, procedural and executive aspects. Individual housing ownership rates are not an indicator of the success of the housing system because they lead to increased living burdens for families and increased mortgage payments in the long term. Activating cooperative housing is subject to developing the housing sector system in Saudi Arabia towards advocating for the concept of cooperatives as a strategic option in light of the transformations witnessed by major cities. Finally, preparing the infrastructure for the development of housing cooperatives is imperative for their success, including activating community participation, collective management, and awareness of cooperative work as an option for sustainable affordable housing.

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