



## Cooperative housing? Explanation for beginners

A simple explanation about cooperative housing and cooperative housing associations, especially with us, for those who are not familiar with all the terms.

### **You hear people say: “I bought a cooperative housing unit”**

But – No, they actually didn't. Because you can't buy or own a cooperative housing.

### **So who owns the homes?**

These are owned by the Cooperative Housing Association, in which you have purchased a share. With us, AB Sjøparken, there are 20 shares, so you have purchased approximately 1/20 or 5% of the association, a little less for access to small homes and a little more for access to large homes.

### **Do I have to pay rent then?**

No, it's not rent, but you pay a monthly housing fee that goes to cover the association's expenses. You and the others in the association help determine the amount.

### **If you don't own a home, how can you trade one?**

You actually trade the Cooperative Certificate. And each Cooperative Certificate gives us: a) approximately 5% ownership of the association, and b) the right and obligation to live in a specific home.

### **Why is the home inspected when buying?**

Because the cooperative members have a duty to maintain the interior of the home. This is stated in the articles of association, Section 9.

If there are defects in the home when the cooperative certificate is sold, this is deducted from the price of the certificate.

Conversely, approved improvements have a residual value that is added to the price of the cooperative certificate. This is based on the cooperative value and the result is the “Maximum Price”.

### **What is the Unit Value/price of the Unit Certificate before deductions and surcharges?**

It is determined annually in accordance with legislation based on an annual report and valuation principle approved by the General Meeting.

The value of the unit per unit certificate depends on which type of housing the certificate gives the unit holder the right and obligation to live in.

With us, it is distributed according to the value of the original contribution in 1985. Articles of Association § 4 and § 14.

### **Why does the Board of Directors make more decisions than others?**

Because the Articles of Association state what the board of directors has the right and duty to do. In our case, it says so in 77 different places.

### **Who can be elected to the Board of Directors?**

This is decided by a majority of all members present at a General Meeting. Any member may stand for election to the board of directors.



The chairman and the other board members are elected for 2 years at a time. See articles of association § 27 and § 28.

## What is a General Meeting?

It is a meeting where all cooperative members can participate and each cast 1 vote for or against proposals that are put forward. With us, a total of 20 votes.

There are 2 types of general meetings:

- a) The annual Ordinary General Meeting, which is mandatory by law and must be held by the end of April. Articles of Association § 23.
- b) Extraordinary General Meetings, which may be called as needed to vote on decisions that the Board of Directors cannot make alone.

## In practical terms: who pays for which maintenance?

With us, the Cooperative Members must pay for the maintenance/replacement of all the interior of their own home – except for hidden pipes and the hot water tank – as well as for landscaping.

Changes to the home may not be made without prior permission from the Board of Directors – Articles of Association § 10.

The association (that's all of us in the association) pays for everything outside, except for the yard and garden facilities associated with the individual homes.

Green common areas are partially maintained by a few volunteers (for whom we are grateful) and outside labor paid by the association.

## Is there anything else I should know?

With us, you must pay attention to waste sorting and shared waste containers. More information and an emptying calendar can be found on the **Waste** page.

Furthermore , we would like to point out that our association has its own **Defibrillator**.

## What are the advantages and disadvantages of cooperative housing?

### Advantages

- **Cheaper than owner-occupied homes:** Cooperative housing is often cheaper to buy than owner-occupied homes, but you must study the association's finances and make sure that there are no "toxic" loans that are the cause of a low price.
- **Participation:** As a cooperative member, you have influence on decisions about the association's operation and maintenance.
- **Community:** Cooperative housing associations often have a strong community where residents collaborate on operations and maintenance. This is less common in our country.

### Disadvantages

- **Non-ownership:** You do not own the home directly, but only a share in the association. So you cannot freely decide to change anything in or on the home you live in.



- **Liability:** You are liable for the association's debts, which can be a risk if the association has a large debt. However, this does not apply to us, because AB Søparken is debt-free, has money in the bank and large accounting reserves.
- **More difficult to borrow:** It can be more difficult to get a loan for cooperative housing than for owner-occupied housing, as banks often require a larger deposit. However, banks look favorably on our solid association.

## Where can I find more about rules and trading?

Regarding rules, we have 2 kinds:

The statutes (or Bylaws or Articles of Association) are a kind of "Constitution" for the association that a General Assembly has approved (last, 25/03/2011 for us). There is not completely free play here, because a number of requirements apply legally to the content.

House rules are additional rules decided by General Assemblies.

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