



Sheffield Student Housing Co-op

Summary and Business Plan

November 2013



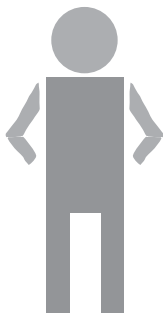
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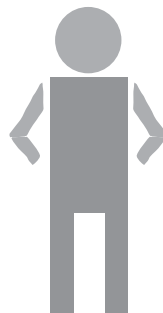
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"I'd love to fix all the little things that go wrong around the house myself, but I feel like there's no point. But if I asked the landlord to do it, it just wouldn't happen! "



"I though our lanlord was a nice guy, but when our heating broke in Febuary last year, he didn't bother to fix it for more than a month! I ended up living in a friends house for a few weeks."



1.0 Summary

Our Mission

To establish a community oriented student housing co-op as a vibrant and viable alternative to private renting in Sheffield.

1.1 Introduction

Sheffield is a brilliant place to be a student and has a strong student community. We want to offer the opportunity to live in co-operative housing to those students. We think a mutual housing scheme has the potential to substantially improve the student housing experience. By providing much better quality housing at a similar or lower rate of rent to private landlords, we plan to be the most popular student housing choice.

SSHC will aim to offer not only housing, but also a friendly and supportive community of residents. Residents have the opportunity to take control of their surroundings; help improve the house and reach out to the wider community. By empowering students to look after their own home, they will not only take better care of it, but also actively work to improve it.

1.2 The Issues with Current Student Housing

Currently, student housing is far from ideal. For many students it's both expensive and of poor quality. Prices are pushed up by the need to make the landlords a living and run dozens of property shops. Many students would be happy to carry out improvements or repairs to their house but aren't able to, instead waiting weeks or months for the landlord to get round to them. Damp is a common problem in student housing and occupants are often forced to simply live with it for the year.

Students have no opportunity to take responsibility for where they live or to personalise it to suit their tastes.

Student houses are very energy inefficient, due to the frustrating situation whereby the cost of upgrading the property falls on the landlord, yet energy bills are paid by for by students themselves. The same is true of many aspects of student housing: often, the landlord will improve only the most superficial qualities of the house, letting the important (but less noticeable) aspects fall behind.

1.3 Our Objectives

We will:

- Provide High Quality Student Housing
- Provide rents at or below average students rates
- Create a vibrant community
- Maximise democratic control of the co-op
- Educate our members and the wider student body about co-operatives
- Work Closely with Co-operatives across Sheffield
- Work with tenants to develop an ethical and environmentally sound business plan
- Engage positively with the wider Sheffield Community

We will also emphasise the 7 co-operative principles:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation amongst co-operatives
- Concern for Community

1.4 What we want to create

Housing co-ops for students are starting to emerge in the UK, they are already a vibrant reality in several other countries. The best example of this is NASCO, a nationwide network of student housing co-operatives across North America established in the 1920s. Sheffield Student Housing Co-operative hopes to start a mutual housing scheme which students could join and leave as they pass through university. We believe a student housing co-op could offer lower rents and significantly better quality housing. The housing co-op would collectively take out a mortgage on a house and over time students' rents would pay it back.

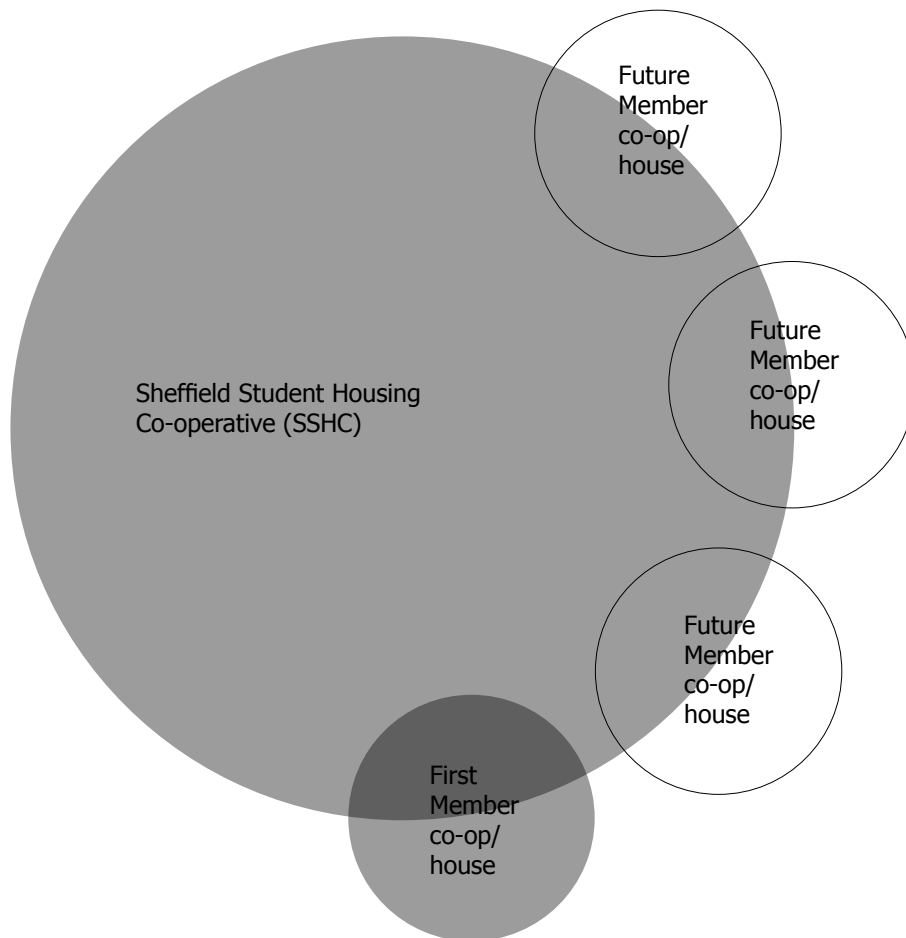
Importantly, a co-op would create a strong sense of community. Students would be in control of every aspect of their own houses, from painting to gardening, giving them a real sense of ownership and belonging. A large amount of support would be given to students to help them maintain the houses or directly contact tradespeople who can. Moreover, skills could be shared between houses. This sense of community would create exciting opportunities for community outreach projects such as a communal garden.

1.5 Student Ownership

SSHC is a fully mutual, not for profit co-operative operating for the benefit of its member tenants. Each house will be primarily run by its residents. Any support necessary to run the houses will be provided by either the wider SSHC group or North West Housing Services.

SSHC is a registered member of Co-op's UK. The housing co-op is also supported by the Sheffield University Students Union. SSHC is a member of Students for Co-operation, the growing network of UK student co-operatives aiming to provide mutual aid in co-op creation, development and education. There is also the potential for financial co-operation between student housing co-operatives.

SSHC would be two tiered (shown below), with each house being run by its own co-op and SSHC overseeing the entire system. Ownership of the houses and ultimate control would rest with SSHC. All residents will be members of SSHC, along with a student's union representative and other members. SSHC would also ideally have strong link with other Sheffield co-operatives and community groups.



1.6 How we'll get there

The benefits of this modular system of housing co-operatives would be that we can start small and develop organically. We intend to start with just one house. The first house would act as a test bed for possible houses to follow, both in terms of house management and as financial proof of the scheme. We would expect houses to be added gradually over a long time-frame as and when the co-op felt it could expand. Firm financial security would be maintained at all times. It's expected that the SSHC community would be able to contribute to renovating houses as they were acquired.

1.7 Who SSHC are

Currently, SSHC is managed by two students at the University of Sheffield, and one at Sheffield Hallam. All interested in founding a housing co-op for students. Rosie Evered is a practicing architect and completed her masters dissertation researching the feasibility of starting a student housing co-op. After concluding that this was an achievable reality, she is working to bring the plan to fruition. Jamie Risner is a masters student in building engineering, with a strong interest in social housing and energy efficiency. Roy Clutterbuck is studying for a primary PGCE, and has an interest in the community engagement and fund raising.

The co-op team has recently grown substantially and regular workshops with the larger student body are taking place.

1.8 Who is Supporting us?

We have already received a lot of support and advice from the following organisations:

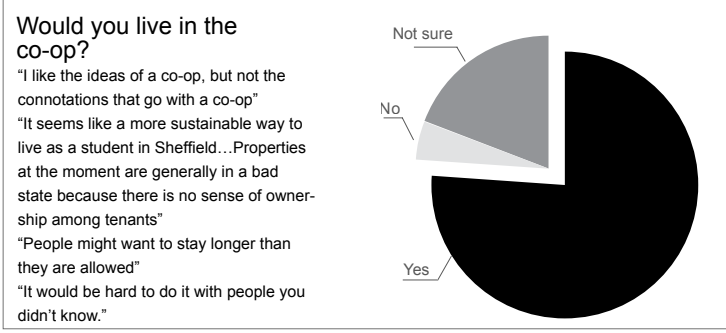
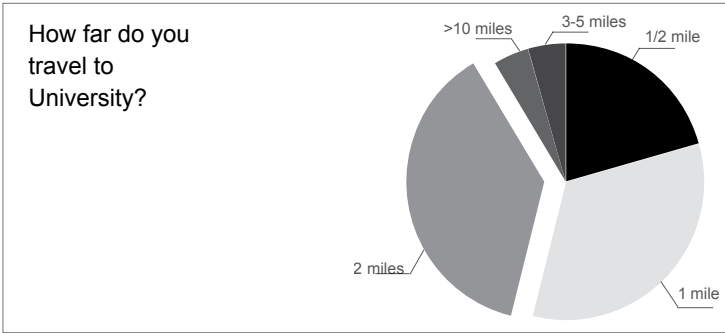
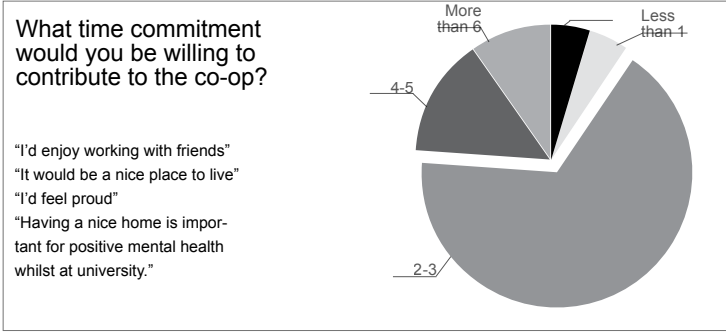
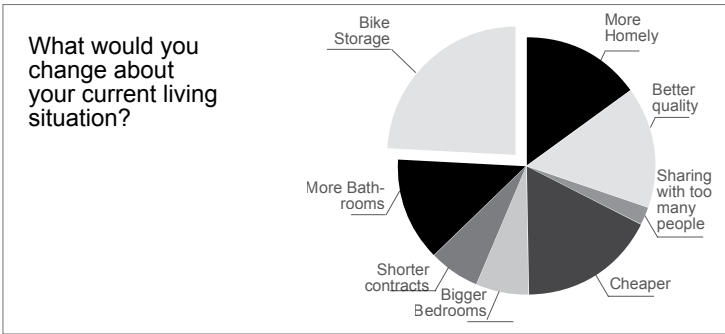
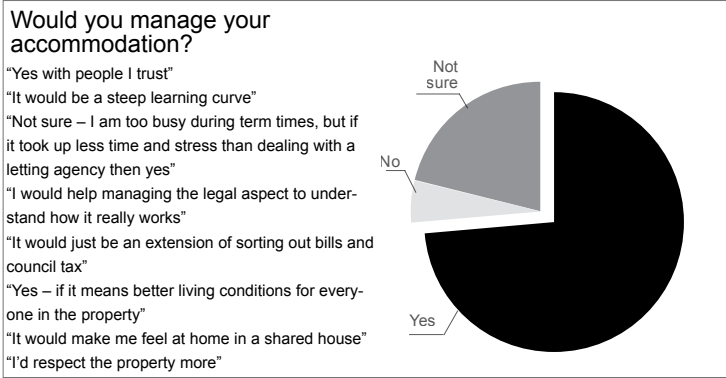
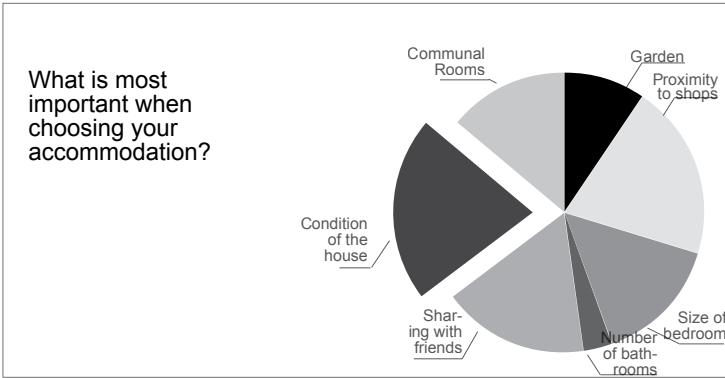
University of Sheffield Students Union
University of Sheffield Enterprise (USE)
Regather Trading Co-operative, Sheffield
Sheffield Co-operative Development Group - <http://sheffield.coop/>
Radical Routes
The Co-operative Living Freehold Society
Somerset Housing
South Yorkshire Housing Association
NASCO - <http://www.nasco.coop/node/17>

2.0 The Business Plan

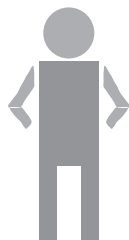
We aim to prove that the student co-operative model can operate in accordance with this business plan. The following sections summarize key business concerns and how we intend to overcome them.

2.1 Evidence of need

Below are the results from a questionnaire we asked approximately 40 students of Sheffield University about their accommodation. People received the idea well and also raised concerns that we can address at this early stage of the project to take into account when looking for houses or developing requirements.



“I am passionate about ethical issues, but I can’t find a house to live in that supports my ideals. I want to grow veg in the garden, build a bike shed, have insulation in the walls, and double glazing. My landlord currently charges me too much and doesn’t attempt to make these improvements.”



“There are damp patches everywhere, we call the landlord but he doesn’t respond. We are paying over £70 a week for this luxury! We know next year they will get someone else in for the same price, and nothing will get done. He has threatened not to give us back our deposit”



2.2 Market Analysis

There are over 60,000 students in Sheffield, most living in privately rented accommodation. We have seen a strong interest in the idea of a housing co-op and survey results confirm this. There is certainly space in the Sheffield student housing market for a scheme as unique as SSHC. Especially in a time of rising student tuition fees and falling student grants.

Average house prices in Sheffield are £115,000 but prices soar in the student areas. Luckily, with its unique appeal, SSHC can venture a little further away and still be assured of renting to students.

Detailed market analysis was undertaken by URBED on behalf of the NUS and Co-operative action and summarised in their 2005 report 'A co-operative future for student housing'. Over £50,000 was spent on in depth analysis of the issues and opportunities of co-operative student housing.

The report analyses case studies extensively and make various recommendations as to the functioning of a student co-op. The report is generally very positive about the proposal, although it focuses on halls of residence style accommodation.

2.3 Other Case Studies

The following are some examples of where student housing co-ops are already happening. They help to demonstrate that co-ops are a viable option for student housing.

USA

Student housing co-operatives have been active in the USA since the 1870's. Enormously successful, they have spread across the USA. Often providing the 'only way students can afford college', they are a vital part of campus life.

Organised into a national body (NASCO) they work together to develop new co-ops and provide support to current co-ops. More info at: www.nasco.coop.

Housing co-ops

On average, 10% of European population live in housing co-ops. This is a well established sector with a long history of providing good quality housing at lower than market rates. Countless precedents suggest that the business model works and works well.

In the UK, there are over 45,000 units of co-operative housing and over 677 co-operatives or mutuals. Approximately 0.6% of the UK population live in housing co-ops, significantly less than in Europe. Several recent reports including the 'bringing democracy home' report have highlighted the benefits of co-operative housing. Co-ops had the highest resident satisfaction rates of any housing type.

2.4 Competitor analysis

There are currently no other student co-operatives available in Sheffield. Our main competitors are existing letting agents and student landlords as well as the University accommodation.

This section looks briefly at what the co-operative offers over these existing options in the student housing market.

Estate agents

Estate agents Take large deposits, long term letting periods and high administrative charges. The cost of running an office and having an agent to liaise with tenants is a waste of money when residents are willing to manage their own property.

Private Landlords

Renting from private landlords is risky, they are often not accredited with the university, and there are a lot of similar problems with them as with estate agents. Private landlords have little incentive to make improvements to the house, as they are likely to get the same amount of rental income whatever the quality of the house.

University Accommodation

University accommodation is significantly more expensive than other forms of student housing. University accommodation services also do not allow the residents to take control of their houses. Even though the management teams are quick to respond to issues and maintenance calls, the students pay for this in high rents. The students do not learn about property and looking after their homes. Issues with quality, cost and ownership are raised in each of these cases and can be addressed within the Student Co-operative model.

2.5 Feasibility

We have used the PESTLE and SWOT analyses to demonstrate the Feasibility of the housing co-operative in today's financial and political situation.

2.5.1 PESTLE analysis

POLITICAL - Political issues around the project in Sheffield University include the co-ops relationship to the students union. A co-operative should be autonomous according to the 7 principles. Political issues that will affect the co-op on a national or city scale include planning and authority regulations in planning which affect houses of multiple occupancy (HMOs), and tax concerns affecting profit. Legislation that might benefit us include the empty property bill.

Overall political issues don't stop the project being feasible, but they are important to be aware of when finding the right legal structure.

ECONOMICAL - Finance is a key aspect in this project. Houses are expensive, but they hold their value and loans can be taken against the asset, which is a positive. However we will have to find at least 20% of the value of the property for the deposit. More about how we plan to overcome this is looked at in the finance section.

SOCIOLOGICAL - Research has been carried out into the benefits of student housing (urbed report). The main areas of social benefit include increased involvement in the community in the house and outside the house, young people taking responsibility for their environment through increased agency and less apathy, education through managing your own house and making decisions that affect our lives.

TECHNOLOGICAL - A key aspect of the housing co-operative is the improvement of the sustainability credentials of the house, current landlords have little incentives to make environmentally beneficial improvements to a house, including installing double glazing, or putting a new boiler system. The co-op would have the power to make the decision about how they spent their money on maintenance and improvements.

LEGAL - The legal structure of the co-op is similar to the one they use for NASCO, the North American Students of Co-operation, they have a knowledge sharing body, which holds the assets of the property, which is NASCO itself, which all the other co-ops are associated members of. We are currently setting up the first group - SSHC, which is explained in the diagram. This group holds the asset, and finds a group of co-op members to live in it with the understanding of the rules and requirements. The member group pays "dues" to the initial group (SSHC), which covers the costs, but SSHC is not for profit.

ENVIRONMENTAL - As with technological, the environmental aspect of housing for students is considered and the quality of housing is improved, and carbon emissions reduced. A third of our carbon footprint comes from buildings and their use. There are not feasibility concerns regarding the environment, but there are benefits. More integration with the community creates better city wide cohesion with students of Sheffield.

2.5.2 SWOT analysis

Strengths

- Cheaper rental cost for students
- Students are empowered and take responsibility for their home
- House's sustainability credentials are increased
- Reduce the need for rogue landlords

Weaknesses

- The co-operative will start small, so level of impact is limited
- Large initial investment needed

Opportunities

- There are over 50,000 students in Sheffield, and there is an evident need for better quality housing
- The project has the potential to expand when it demonstrates success with this project
- There is the potential for students to be more engaged with community activities and improving the local area

Threats

- Students not paying rent
- Recession and inflation affect house prices

3.0 Finance

Ensuring that each house is financially independent and sustainable is the most important prerequisite before considering purchase. Making a house financially viable relies on a balancing act between rental incomes and the terms and time periods of loans to the co-operative. It is very possible to charge £65 or lower a week rent, but only if the terms of loans are low interest and long term. The house mortgage will be fixed interest, fixed duration so the most important factor in determining house rents will be the method of capital collection. Our costs are worked out using the Radical Routes spread sheet, which has been proven to work for many other co-operatives.

3.1 Capital Investment

Traditionally housing co-operatives gather their capital from organisations, other co-operatives as well as individual investors in the form of loans. We would also expect to raise a significant amount of capital through donations. While our financial plan works when all of the deposit is a loan, rents have to be higher for students than we would want. So, we expect to try to reduce these rents by improving the terms of the loans as much as possible and by fund-raising.

The reliable nature of student finance and student housing will help to give investors' confidence. There is also the possibility of providing a significant return for investors of up to 5%. It's likely however that any investors would also be interested in the social aspect of the project and not expect large returns. As the founding members of the co-op, we expect to invest our savings in the project. We have £12'000 of capital we would be willing to invest.

3.2 Financial Analysis

Initial analysis has been carried out using the radical routes spreadsheet finances model. It suggested that the project is financially viable, depending significantly on:

- Duration of loan
- Interest rates
- Room/cost of house ratio

Simple calculation can be carried out in the following way:

average student rent: £65/week
 house price: £200'000
 interest rate: 5%
 length of loan: 25 years

Student rental income depends on number of bedrooms:

| | £/month income |
|---|----------------|
| 5 | 1300 |
| 6 | 1560 |
| 7 | 1820 |
| 8 | 2080 |

These figures give a clear indication of the variety of incomes available from any one house. A good rooms/capital cost ratio and favorable loan conditions will ensure that the co-op is financially sustainable.

While each house should be financially viable, the whole is still financially stronger than the parts. Especially in the future as mortgages begin to be paid off, the financial power of the co-operative as a whole will begin to expand.

We have been scouting for appropriate houses and have found several that fit the requirements. The choice of first house is especially important and we are lucky to have the support and expertise of NWHS helping us in this matter.