CO-OPERATIVE housing has been in place in the US since the late 1800s. Co-ops were first developed on a large scale in New York City, either for the wealthy or for the working classes, and many of the original housing co-op legal forms were imported from Britain and Scandinavia.

The union movement in the city pioneered the limited dividend corporation. The focus of the state investment was to provide good-quality apartment-style housing at moderate prices that remained affordable over time to the union’s members.

The wealthy took the co-op concept with them when they moved to California. Luxury co-op towers became prime addresses in Los Angeles, San Francisco and along the Pacific coast.

However, it was not until later that the unions arrived on a large scale in California and, with a suburban population being offered low-cost homes, it meant there was less need for multi-family buildings. Nonetheless, about 100,000 units of co-operative housing have been built in California.

Fast forward to the present day, and California has seen its population rise from ten million in the 1950s to 38 million. Californians now have the highest housing costs in the United States and the lowest home ownership rate. The poor get subsidised housing and the rich get substantial tax breaks. However, the moderate income families get neglected.

Determined to find another path to affordability, co-op housing activists pushed for new legislation. The first law on limited equity housing co-operatives in the nation was passed in California in 1978. The law was written so that the family that owns a share in a co-op can have the same tax breaks as the owner of a single-family home.

The co-op member gets a housing cost lower than renting and usually a three to seven per cent return on their $10,000-$20,000 (£6,625-£13,250) share when they leave. Rather than taking equity away, the equity stays with the co-op and helps bring the relative cost down for the next member. The co-op units usually have income restrictions and are always affordable.

The law was updated in 2010 and authorised the creation of “workforce housing co-operative trusts”. A workforce housing co-operative trust would allow an employer or employee group to create housing co-operatives to provide permanently affordable housing for employees.

Research has shown that limited equity housing co-operatives increase affordability relative to the market and affordability relating to median income.

An ongoing study of Dos Pinos, a 60-unit limited equity housing co-op in Davis, shows in its first year, 1985, a family of four needed to earn 111 per cent of median income to afford a three-bedroom unit at Dos Pinos.

By 2009 that same family of four needed to earn only 59 per cent of median income to live at Dos Pinos. No other

“A MODEL DEVELOPMENT … The Dos Pinos limited equity housing co-operative in Davis, California

“shared equity” or ownership model becomes more affordable over time.

On an annual basis Dos Pinos generates substantial wealth-building opportunities for the families that live in the co-operative. In 2009, a household in a three-bedroom unit had an economic savings of $10,742 (£7,116) over the equivalent market rate apartment in Davis.

The recent tough economic times have allowed us to see how different affordable housing models in Davis are weathering the storm. Let’s test Southfield Park, a 60-unit limited equity condo community (founded 1993) against Dos Pinos.

The 5.5 per cent maximum gain allowed annually on the sales price at Southfield Park has allowed the condo units to get close to market value. On May 1st, Southfield Park had five empty units and, recently, more than $200,000 (£132,500) in subsidy was used to help just two families move into Southfield Park. So in a down market this limited equity condo model is no longer working effectively and appears to need extensive per unit subsidy.

However, at Dos Pinos there are no vacant units and a stable waiting list. Even in this depressed market, Dos Pinos has had to make no changes to its rules. Every year Dos Pinos grows less expensive relative to the market. And in its 25-year history, Dos Pinos has never needed one penny of government subsidy and still doesn’t. Dos Pinos works.

Throughout California, there are limited equity housing co-operatives providing housing to about 5,000 families. The new co-operative housing legislation encourages sponsors to play a role. We look forward to seeing these new housing co-operatives bring stability, affordability and tax benefits within reach of moderate-income California families.