How Can Foundations Play an Active Role in a More Community-Based Future?

Recommendations: Foundation-Based Financing Support for the Start-Up of Community-Based Housing Forms

The recommendations were developed through the project 'Spectacular Communities – Spectacular Solutions', which is supported by the Realdania association and implemented by the National Association for Ecovillages (Landsforeningen for Økosamfund), represented by Dicte Frost and Camilla Nielsen-Englyst.

The project has analysed legal and financial models from other European countries and assessed their relevance in a Danish context. The work has been informed through collaboration with Helena Reumert Gjerding from Kontra Advokater, as well as through dialogue with interest organisations, researchers and other key actors in the field.

The focus has primarily been on grassroots ("self-grown") groups with a non-speculative approach. However, many of the recommendations can be applied more broadly.

Read more about the project here: https://okosamfund.dk/spektakulaere-faellesskaber

Community-Based Housing Forms (CBH)

The term CBH covers the part of the housing sector that is democratically governed and owned by the residents themselves. The term includes, among others, cohousing communities, ecovillages, cooperative housing associations and self-governing collectives. These housing forms are an important supplement to both the private and the social (non-profit) housing markets, as they can contribute to greater housing diversity, strengthened local communities, and constitute long-term and stable housing forms.

The housing market, the climate and our social relationships are undergoing rapid change. In this reality, interest in community-based housing forms (CBHs) is growing as a concrete response to some of the greatest challenges of our time: rising housing prices, growing loneliness, the need for sustainable land use, and the desire for stronger local engagement.

CBHs constitute an important supplement to both the private and the social housing market, because they can:

- create sustainable everyday practices through sharing arrangements, shared facilities and resource optimisation
- counteract loneliness and strengthen meaningful communities
- reduce space consumption and promote more efficient land use
- create new life in rural districts and local meeting places
- strengthen active citizenship and local cohesion

At the same time, the road from idea to realisation is often long and uncertain. Many CBHs fall between the classic categories of ownership form, financing and administrative logic. Precisely because they represent innovation, they fit poorly into the standardised models that banks and system actors work with. With tightened requirements from the Danish FSA (Finanstilsynet), even the more positive banks have limited scope to support the projects sufficiently. The start-up and maturation phase in particular is critical, and many otherwise strong projects are lost before they reach realisation.

If new collaborations and financial tools are not developed, we risk that the community-based housing forms of the future will primarily be driven by capital-strong developers, while citizen-driven and non-speculative initiatives lose their footing.

Here, foundations have a unique opportunity not only to support individual projects, but to strategically develop the entire field.

Foundations can play three decisive roles:

1. Risk-absorbing capital

Guarantees, development funds and early risk-willing capital that make it possible for projects to take their first steps.

2. Market-maturing capital

Support for the development and testing of models that can become new financial "off-the-shelf products" for community-based housing forms.

3. Systemic catalyst

A unifying force between banks, municipalities, organisations and pilot cases, so that learning is translated into lasting structures and scalable solutions.

This can happen through three overall capital tracks:

Philanthropic capital

Guarantees, development units, pilot projects and project maturation

Patient repayment capital

Revolving funds, low-interest loans and bridge financing

Impact investments

CBH investment funds, portfolio investments, and land and property funds

As a foundation, you therefore have the opportunity to play a key role in developing a more robust, green and socially sustainable housing sector. The following recommendations have been developed as a strategic starting point for dialogue and collaboration with foundations that wish to contribute to maturing, scaling and future-proofing the field of community-based housing forms.

Two concrete examples illustrating the CBH field and opportunities for foundations:

Case: 'Sandagergård'

A group of young academics from Copenhagen (27–33 years old) found their dream home for a self-owned, non-speculative large collective: a farm outside Køge for DKK 7.2 million. Over 2.5 years they had developed their concept and built the group around the project. After several months of dialogue with the bank, it became clear that they would only be able to obtain a loan for 40–50% of the property value, on condition of joint and several liability and that the group itself could provide the remaining 50–

60% as equity. There was thus a gap between what the group itself could raise (approx. 20–30%) and what the bank could offer in loans. Roughly 20% in buffer financing was missing for the project to succeed.

Learning: The 20% missing financing in the example represents a problem that could be covered in other ways, for example through an investment fund (see recommendations).

Case: The housing community 'Kløverdalen'

A group wanted to buy a large plot of land and establish a housing community with approx. 28 homes. Financial sustainability was a central principle from the start. The group tried to organise the project as a cooperative housing association (andelsboligforening), but was rejected on the grounds that the project was located too far from Copenhagen. As a building community, the bank required up to 40% equity financing, and the bridge financing during the construction period thus became a major barrier. The requirements proved insurmountable for an ordinary group of citizens, and several had to withdraw.

Learning: Today, establishing housing communities often requires a very capital-strong group or an external actor who can take on the risk that banks are unable to – or provide a guarantee. Many projects are therefore abandoned along the way or are only realised in collaboration with a developer. But providing a guarantee is a possibility that could potentially be covered in other ways, through a collaboration with foundations (see recommendations).

Paths for Foundations Wishing to Support and Create the Community-Based Housing Forms of the Future

RECOMMENDATION 1: Establish a guarantee framework that brings projects over the first financial threshold

– for foundations with philanthropic purposes and a wish for high societal impact with limited capital lock-up

One of the biggest barriers for new community-based housing forms is access to the last part of the equity in the start-up phase. Many groups can mobilise a significant share themselves and are met positively by banks, but often lack the last 15–20%, which is what would make it possible to obtain financing.

Here, foundations can play a decisive role by establishing a guarantee framework that functions as risk-absorbing capital vis-à-vis the banks. The guarantee can, for example, cover the last part of the equity requirement or function as a surety in the start-up and maturation phase. The foundation thus does not provide a direct grant, but makes itself available as security, which makes it possible to mobilise far greater private financing.

This makes the guarantee model particularly attractive, because:

- relatively few funds can mobilise the necessary loans
- the capital is only activated in the event of default/bankruptcy, which rarely happens, so experience points to low loss risk
- the model can be tested quickly in practice

To reduce the risk further, the guarantee should be linked to project maturation and external screening, for example through a partnership with the National Association for Ecovillages (Landsforeningen for Økosamfund), the Bofællesskab.dk Association, Kollektivforeningen, or a dedicated advisory unit. Only projects with sufficient group maturity, a realistic budget and legal clarification should be able to access the scheme.

A realistic pilot can be established as a 3-year guarantee framework of DKK 10–20 million, where the foundation guarantees a maximum of the last 15–20% of the equity requirement. The experience gained can subsequently form the basis for a permanent model or a joint guarantee collaboration between several foundations.

> *"I actually think it could be quite simple – you just need some form of deposit (for example through a foundation), which stands as a guarantee."*
> *— Thorleif Skjødt, Director, Andelskassen Fælleskassen*

This recommendation is mentioned first because it is assessed to be the model that can be realised fastest, with the greatest leverage between foundation funds and societal impact.

RECOMMENDATION 2: Establish a revolving fund

– for foundations that want continuous societal impact through active co-ownership and reusable capital

One way foundations can accelerate the development of new community-based housing forms is by themselves acquiring buildings or places with potential for community formation, together with a group.

In this model, the foundation acts as an active and temporary owner in the phase where projects are often too immature to obtain traditional financing – or where the aim is not to own, but to gain time to organise the ownership structure. The foundation can thereby secure the site, bear the initial risk, and create the necessary calm for the community to develop its organisation, economy, resident composition and long-term legal structure.

Once the project has matured sufficiently, ownership can be transferred to the community – for example as a self-governing institution, association, foundation or other non-speculative structure. The capital is then returned to the foundation and can be used to acquire and mature the next site. This creates a revolving cycle, where the same capital can over time bring several community projects to life.

The model is particularly attractive because it:

- makes it possible to act quickly on concrete sites
- reduces the pressure on the start-up group in the most vulnerable phase
- creates strong flagship projects that can inspire others
- combines a philanthropic purpose with the reuse of capital
- makes it possible for the foundation to actively shape quality, values and non-speculative anchoring

It requires a certain volume to be scaled, since the capital is at times tied up in real estate. In return, the model offers the possibility of high strategic impact, because the foundation not only finances the process but creates the physical framework for new housing forms to arise.

Vitalitetsfonden's engagement in Avnø Oasis in Lundby is one of the first Danish examples of this approach. Although the model has only been tested to a limited extent, the case points to a potential for foundations that wish to use active ownership to mature new community projects.

> *"Vitalitetsfonden helped us get started by investing in the buildings. Our project is now on its way to becoming mature enough that we can transform into a self-governing institution, and the funds can be returned to the foundation and help another project get started too. That makes sense to me."*
>
> *— Kristiane Ravn Frost, Director, Avnø Oasis*

RECOMMENDATION 3: Participate in a 'CBH Investment Fund'

– for foundations that want both financial return and long-term societal impact

This recommendation marks the transition from philanthropic support to mission-driven investment in a new housing segment.

Community-based housing forms constitute an attractive investment area because they combine stable demand, low speculative risk and documented social added value. For foundations interested in impact investing, this opens the possibility of participating in a joint CBH investment fund, where capital is spread across several projects, geographies and organisational forms.

The foundation can invest in the acquisition of land and buildings, the development of shared facilities, start-up capital, minority shares in non-speculative structures, as well as land and property funds with long-term ownership.

Investment can take place through a portfolio model, where capital is professionally distributed across several projects, or through thematic co-investment, where investments are targeted at particular segments such as senior cohousing, communities for young people, transformation of existing building stock, rural districts, or regenerative construction.

International experience, for example from Ekopia in Scotland, shows that this type of investment structure can mobilise significant capital.

A particular strength of the model is the possibility of using differentiated capital terms as a strategic market tool. Non-speculative models with shared ownership or self-governing structures can be offered more favourable terms than conventional ownership constructions.

The investment fund thus becomes a mission-aligned tool, where the capital terms actively make non-speculative models more attractive and contribute to establishing CBH as a new investment segment in the housing sector.

In a Danish context, such a fund could advantageously be established as a partnership between foundations, financial institutions, interest organisations and, potentially, municipal or state actors.

RECOMMENDATION 4: Establish a joint solidarity capital structure as a foundation collaboration for CBHs

– for foundations that want to catalyse solidarity capital and long-term sector building

A particular strength of community-based housing forms is that many existing communities build up significant value over time, in the form of home equity, shared facilities, land and buildings. These values can become an active tool to help new communities on their way.

Inspired by experience from Fonden for Flere Kollektiver (the Foundation for More Collectives), foundations can help establish a joint solidarity capital structure, where existing CBHs voluntarily contribute part of their accumulated value or home equity to a shared capital base.

The capital can be used for guarantees, start-up capital, the acquisition of new sites, generational transitions in existing communities, and the maturation of new groups and organisational forms.

What is special about the model is that it creates a solidarity circuit of capital in the CBH sector, where the communities that have succeeded actively contribute to more communities succeeding after them.

Differentiated terms as protection for the non-speculative core

A particular strength of the model is the possibility of using differentiated capital terms as a strategic tool, so that the solidarity capital especially strengthens the organisational forms that best protect the community's long-term values.

Non-speculative models with shared ownership or self-governing structures can be offered more favourable terms through lower interest rates, longer maturities, or greater access to guarantees and start-up capital. This means the capital is actively used to ensure that values created in existing communities especially benefit the next generation of non-speculative communities.

Foundations can play a decisive role in particular by:

- financing legal and organisational model development
- providing the first risk-willing capital
- creating matched funding for the communities' own contributions
- supporting governance, administration and transparency
- reducing the risk in the start-up phase

In the longer term, the model can develop into a permanent, sector-internal capital structure, where existing CBHs, foundations and any impact investors jointly finance new community projects.

As a foundation strategy, the model makes it possible to support a self-reinforcing and non-speculative growth logic, whereby the sector gradually becomes better able to finance its own development.

RECOMMENDATION 5: Finance the development, piloting and learning infrastructure for new financing models

– for foundations that want to accelerate innovation and create the next generation of financial off-the-shelf products

Community-based housing forms remain an underdeveloped segment in the Danish housing sector. Many of the financial solutions that would otherwise seem obvious still need to be tested, documented and translated into models that banks, foundations, municipalities and investors can work with systematically.

Here, foundations can play a decisive role by financing an innovation track, in which new financing and organisational models are developed, tested and documented in practice.

This can, for example, include pilot projects that test:

- new ownership and governance forms
- hybrid models between foundation, association and community
- combinations of guarantees, loans and investment
- models for shared ownership of land and buildings
- capital structures targeted at non-speculative communities

The crucial thing is not only to support individual experiments, but to ensure that the experience gained is translated into scalable learning, standardised models and new financial off-the-shelf products for the field.

Support a joint development and learning unit for CBHs

A related track is financing a joint development and advisory unit that strengthens project maturation and quality in new initiatives through targeted support in the start-up phase. Many projects do not stall because of the idea, but because the group lacks experience with organisation, project development and financing.

Foundations can therefore contribute to a joint unit that helps start-up groups with organisational structure, financial models, legal frameworks, and dialogue with banks and municipalities. By raising the quality in the early phases, the risk for banks and investors is reduced, which makes financing and realisation easier.

Foundations can contribute in particular by:

- financing pilot projects and demonstration cases
- supporting legal and financial model development
- documenting risk profiles, effects and best practices
- creating partnerships with banks, municipalities and interest organisations
- supporting a joint development and learning unit

As a foundation strategy, this recommendation makes it possible not only to mature individual projects, but to develop the next financial and organisational tools that can make community-based housing forms far easier to realise in the future.

In a Danish context, this could advantageously be organised as a partnership between the National Association for Ecovillages, Bofællesskab.dk, Kollektivforeningen, Kooperationen and relevant legal or financial actors.

The recommendation is about creating openness for dialogue, pilot applications and support for a joint advisory unit – as well as having the courage to keep investing in example projects that can inspire and later be translated into more scalable models.

A joint development track

> *“We need to create a new off-the-shelf product for housing communities.”*
> *— Lars Pehrson, former director, Merkur Andelskasse*

Denmark needs new financial off-the-shelf products for community-based housing forms – and they are best developed through a committed collaboration between foundations, organisations, banks, municipalities and other key actors.

Community-based housing forms are a strong strategic area for foundations, because they combine low speculative risk, long-term local anchoring, climate and community-related added value, and the possibility of scalable learning and systemic impact.

The five recommendations do not point to a single solution, but to a combined development track: from guarantees and revolving funds to investment structures, solidarity capital building, and the development of the next generation of financial models.

We therefore invite dialogue on how your foundation can help translate the recommendations into concrete collaborations, pilot projects and new financial tools. The goal is not only to realise more individual projects, but to develop the structures and financial tools that can make community-based housing forms a far more accessible part of the housing sector.

We hope you will help create the framework that makes it possible for far more citizen-driven and non-speculative communities to succeed – for the benefit of a more robust, green and socially cohesive housing sector.

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Presentation of the project