



USEFUL INFORMATION FOR
HSB TENANT-OWNERS



HSB – home of opportunities



THOSE OF US LIVING

in owner-occupied flats have the opportunity to make our homes unique and rewarding places to live. Members of a tenant-owners' association have joint ownership of the association's housing blocks. The association can, however, tailor the management, services and culture of the property to the members' housing needs.

The more members there are who are willing to take on responsibility for the various tasks that have to be done in a tenant-owners' association, the better the services and leisure activities become, and the more close-knit the community feels. This publication is designed to help those who want to familiarise themselves with what it means to be a member of and live in a HSB tenant-owners' association.

CONTENTS

WHAT IT MEAN BE AN HSB TENANT-OWNER	5	PROPERTY MANAGEMENT	14
When we work together the associations become strong	5	Property management includes both big and small issues	14
The bylaws are the rules of the tenant-owners' association	5	The outdoor environment is important	14
How an HSB tenant-owners' association is established	5	Tailor-made property management	14
You are free to sell your owner-occupied flat	6	Each member is responsible for their owner-occupied flat	14
Obligations of tenant owners	6	Members have a right to information	14
Permission is required to sublet	6		
Leaving an owner-occupied flat	6	HSB's ENVIRONMENTAL WORK	17
How a tenant-owners' association is governed	6	Environmental work in the tenant-owners' associations	17
General meetings held once a year	7		
Meeting notices issued four weeks in advance	7	CULTURE AND COMMUNITY	18
Formal agenda	7	The board supports activities	18
Member voting	7	Taking care of new members	18
No-frills motions	8	The study organiser has a key role	18
The board's responsibility between meetings	8	Which activities fit in at my association?	18
Who can be elected to the board?	9		
The HSB organisation	9	GOOD HOUSING	20
		HSB history	20
HOW CAN WE AFFECT OUR LIVING COSTS?	10	Development of good housing	20
Long-term planning	10		
Annual report	10		
The annual report is the key to the tenant-owners' association's finances	10		
The income statement shows what has happened during the year	10		
Revenue	10		
Costs	12		
Operational costs	12		
Maintenance costs	12		
Capital costs	12		
Property taxation	12		
The annual results complete the income statement	13		
The balance sheet shows the financial position	13		
Assets	13		
Equity and debt	13		
Is the association in a strong financial position?	13		
Certification	13		



WHAT IT MEANS TO BE AN HSB TENANT-OWNER

Having tenant-owners rights means all the members of a tenant-owners' association own and manage the building and land belonging to the tenant-owners' association. All members can have an effect on finances and property management, both through the governing board and through their own actions. A tenant-owners' association has no profit-making purpose, but rather works in the economic interests of its members.

In Sweden, about 18 percent of housing is part of a tenant-owners' association. There are a little more than 325,000 HSB owner-occupied flats.

Those of us living in an owner-occupied flat have the freedom to design the interiors of our own homes. Together, we decide when our building needs renovating, as well as when we need to undertake larger environmental initiatives. The starting point is that those with rights of tenant ownership are allowed to make alterations to their flats. If those with rights of tenant ownership intend to interfere with any load-bearing structures, make changes to certain cables or carry out any other significant alterations, they normally require the board's permission to do so.

Those with rights of tenant ownership are responsible for the internal upkeep of their homes. This means that those with rights of tenant ownership decide when their homes need wallpapering or painting themselves.

When we join a tenant-owners' association, we not only gain rights, but we also take on obligations. This is regulated in the Tenant-Ownership Act and the association's own bylaws. With regard to many issues, the Tenant-Ownership Act refers people to the law on incorporated associations (associational law).

WHEN WE WORK TOGETHER THE ASSOCIATIONS BECOME STRONG

A tenant-owners' association is an incorporated association. The fundamental purpose of all tenant-owners' associations is to lease apartments with right of tenant ownership, thereby promoting the economic interests of their members.

HSB is a member-owned, cooperative organisation in which people voluntarily work together for their common economic, social and cultural needs and wishes. HSB gets its strength from combining local autonomy with a three-way democratic partnership: The three stakeholders

include the tenant-owners' association, the HSB Association and the HSB National Federation. There are about 4,000 housing associations in the whole HSB organisation.

One of the fundamental ideas behind HSB is to offer members more than just a home. Together, the associations can develop social services and recreational activities in residential areas. There are great opportunities to create good housing by cooperating with one another.

THE BYLAWS ARE THE RULES OF THE TENANT-OWNERS' ASSOCIATION

A tenant-owners' association must be managed very carefully.

Many issues of great importance to the tenant-owners' association are regulated by the Tenant-Ownership Act and the law on incorporated associations. All tenant-owners' associations are legally required to have bylaws. The bylaws can in other words be referred to as the association's game rules. HSB has produced normal bylaws that many HSB tenant-owners' associations are using.

The bylaws regulate matters including the management of owner-occupied flats, the condition of the building, how members can exercise their influence, the power of the board, tenant-owners' association general meetings and so on. When you become a member of a tenant-owners' association, you accept the association's bylaws and agree to abide by them. Later on, you can of course work to have the bylaws amended, as long as your efforts do not go against the law.

Many of the things members consider important with regard to the association (such as how the cleaning is organised, the way the communal laundry room is equipped, which trees and shrubs are planted around the buildings) are not regulated by the law or any bylaws. The members decide on such issues through the elected board. The needs of tenant-owners' associations vary, and can change from time to time.

HOW AN HSB TENANT-OWNERS' ASSOCIATION IS ESTABLISHED

Most people who live as part of an HSB tenant-owners' association have effectively joined a fullyformed association. A tenant-owners' association is formally established as soon as the local HSB-association acquires some land and begins planning the development of the area. The first to join the tenant-owners' association are the HSB association, as well as members and deputy members of the association's board.

When the tenant-owners' association grants rights of tenant ownership later on, each home is priced. In other words, a deposit for it is defined. The deposit is the association's own capital, which is used to pay the portion of the production costs that are not covered by loans.

“ The rules of a housing association are in the bylaws. ”

Each flat is granted a share in the association, and this share provides a basis for calculating the monthly service fee. The fee can also be calculated based on the deposit, which is converted into a distribution figure. The monthly service fee covers the flat-owners' share of the tenant-owners' association's costs, and agreed reserves. Heating, water, electricity and cleaning costs can be charged according to consumption rates if it is technically possible to calculate these.

In other cases, the costs are divided up among the members on the same basis as the monthly fee. The monthly fee, which is formally called the annual fee, is set by the tenant-owners' association's board.

YOU ARE FREE TO SELL YOUR OWNER-OCCUPIED FLAT

Anyone with the right of tenant ownership is free to sell – or to use the proper term, to reassign it – and to agree on a purchase price with the buyer. A written contract must be drawn up and signed by the buyer and seller, clearly stating which flat is being reassigned as well as the purchase price. For the buyer to gain the right of tenant ownership, the board is required to grant them membership of the tenant-owners' association. If the purchase is not granted, it becomes null and void, and the buyer may not take possession of the dwelling or move in.

In most cases, the local HSB association takes care of the administration related to the transfer on behalf of the tenant-owners' association. The tenant-owners' association may charge a transfer fee to cover the administration costs associated with the transfer.

OBLIGATIONS OF THOSE TENANT OWNERS

The bylaws mention various situations in which the owner-occupied flat is considered forfeited, and the tenant-owners' association may give the party holding this right notice of its termination. This is known as forfeiture of the right of utilisation, and applies in the following situations:

- If a party with the right of tenant ownership does not pay a deposit within two weeks of receiving due notice from the tenant-owners' association.
- If a party with the right of tenant ownership delays payment of the monthly service charge more than a week after the due date. The party with the right of tenant ownership may recover their right of tenant ownership by making their payment within three weeks of receiving notice of termination of their right. A party with the right of tenant ownership who repeatedly regains right of utilisation, or is repeatedly late in paying their monthly service charge, risks losing their right of tenant ownership.
- If a party with the right of tenant ownership sublets the flat without permission.
- If the property is used in a way other than that for which it was intended. As a rule, the use of an owner-occupied flat as an office or as a business premises is forbidden.

- If the tenant-owner due to negligence has attracted vermin into the home.
- If the owner-occupied flat is neglected.
- If the party with the right of tenant ownership disturbs their neighbours or behaves in any other unacceptable manner.
- If the party with the right of tenant ownership does not allow the tenant-owners' association access to their owner-occupied flat when the association is entitled to it. The tenant-owners' association may, for example, need to carry out some work in it.
- If the flat is used to carry out criminal activities, pimping or prostitution.

PERMISSION IS REQUIRED TO SUBLET

The board decides on acceptable reasons for gaining such permission according to the tenant-owners' association's bylaws and any applicable legislation. Subletting is normally allowed when the party wishing to sublet their flat has worthy grounds for doing so. Such is the case when the party with the right of tenant ownership enters a prolonged period of hospitalisation, is working or studying in another place, or wishes to try out living with their partner. For permission to be granted, the tenant-owners' association should have no reasonable cause to say no to the proposed tenant. The tenant-owners' association should limit its authorisation to sublet. Permission is normally granted for six months or a year. This period may then be extended.

Anyone with the right of tenant ownership who is dissatisfied with the board's decision may apply to the local rent tribunal to have the decision re-examined.

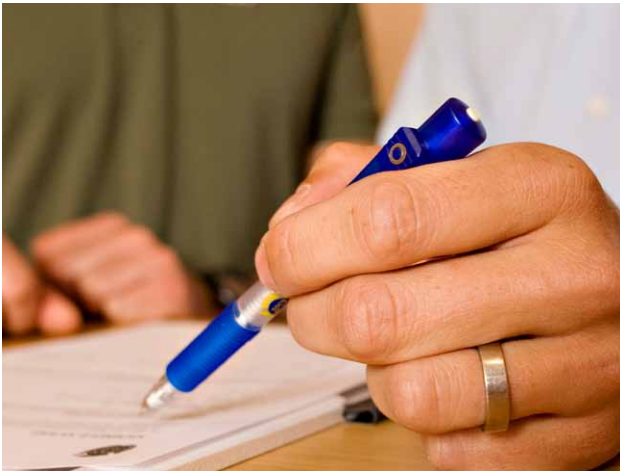
The tenant-owners' association rules for subletting may be discussed at a tenant-owners' association general meeting. When a member is only going to rent out a room, and continue living in the rest of the flat, the board's permission is not required. What determines whether subletting can take place is if the tenant to whom the flat is being sublet is using the flat – or part of it – independently of anyone else.

LEAVING AN OWNER-OCCUPIED FLAT

In some places those with rights of tenant ownership can have difficulty finding buyers for their owner-occupied flats when they wish to leave their tenant-owners' associations.

In such cases, they can renounce their rights of tenant ownership. This is done in the form of a written letter to the board, and is possible at the earliest two years after a property was first let as an owner-occupied flat for the first time. Notice of termination must be provided three months in advance.

When an owner-occupied flat is left in this way, the right of tenant ownership is transferred to the tenant-owners' association when the notice period is over. The right of tenant ownership relinquishes any form of compensation for their owner-occupied flat.



HOW A TENANT-OWNERS' ASSOCIATION IS GOVERNED

Tenant-owners' association general meetings are the highest decision-making bodies. The shareholders choose the board members and grant discharges from the board.

The board heads up work of the tenant-owners' association in between meetings and is responsible for managing the property.

The auditors must review the tenant-owners' association's accounts and the board's management.

The election committee must prepare for any elections due to take place at a tenant-owners' association general meeting by consulting and proposing candidates.

GENERAL MEETINGS HELD ONCE A YEAR

At tenant-owners' association general meetings, the board members review the activities the association has been engaged in during the year. The board may also suggest new ways of running the tenant-owners' association, or change anything they consider to be wrong with it.

Ordinary tenant-owners' association general meetings must be held once a year. According to associational law, these meetings must be held within six months of the end of the fiscal year. The tenant-owners' association may specify in its bylaws when these meetings should be held. The earlier in the new financial year they can be held, the better.

The board may call an extra meeting. The board members are normally called to an extra meeting when the bylaws have to be changed. For changes to be made to the bylaws, decisions have to be made at "two consecutive meetings", and it is therefore not practical to wait for another ordinary general meeting to take place. An extra general meeting may also need to be held if several board members have stepped down from their positions and additional elections have to be held. An extra meeting must also be held if an auditor or at least one-tenth of the members who are entitled to vote request it; and if major renovation or repair work needs to be carried out, and the tenant-owners' association is taking on the associated maintenance tasks (as is the case with plumbing work and bathroom renovations, for example), which normally are the responsibility of the tenant-owners.

MEETING NOTICES ISSUED FOUR WEEKS IN ADVANCE

The tenant-owners' association general meeting is called by the board. Notice to attend a tenant-owners' association general meeting may be sent out no earlier than four weeks before it is due to take place, and no more than two weeks before an ordinary meeting, and must be sent out one week before an extra meeting at the latest. According to the bylaws, the notice to attend a meeting must be posted in a suitable place within the blocks of flats in question. It should contain details of the matters due to be addressed at the meeting.

If the meeting is held at a different time than that stated in the bylaws, or if the tenant-owners' association is due to be liquidated or merged with another tenant-owners' association, a written notice to attend a meeting must be sent to all members using their most recent known address.

FORMAL AGENDA

The tenant-owners' association general meeting is arranged in a very formal way. The agenda is also found in the bylaws. The meeting may be divided into three main parts apart from the introduction to it, during which a person is chosen to chair the meeting, among other things.

- The first part is a review of the annual report and the auditors' report. The meeting attendees will also always confirm the results and balance sheet and decide on how the association's profit or loss shall be allocated and whether the board should be released from their duties.
- The second part includes voting for board members, auditors, election-committee members along with authorised members and, where appropriate, representatives to attend the HSB association's district meetings.
- The last part comprises any other reported matters.

If the tenant-owners' association has received suggestions – or motions – from its members, these must be outlined in the agenda and in the notice to attend the meeting. This gives the members time to think about the suggestions. The board can also make suggestions or share information with regard to other matters.

Some tenant-owners' associations invite their members to attend information meetings between general meetings. During such meetings the board can explain and answer questions relating to the association's financial situation, any rebuilding or renovation work that has been planned, or any other matters that may be of interest to the tenant members.

MEMBER VOTING

The main rule in all types of associations is that each member has a vote. This principle also applies to tenant-owners' associations. However, there is one exception: that is, if several members share a tenant-owners right. In this case, the members share one vote. They have to agree on which member actually gets to vote when the voting cards are dealt out. A record should be made on

the attendance list of which party holding this tenant-owners right will exercise their right to vote. If someone with a right of tenant ownership has several owner-occupied flats, they still have only one vote.

If a member is unable to attend a tenant-owners' association general meeting, they may grant a representative power of attorney. The power of attorney must be issued in writing, must include a date, and may be no more than a year old. No witness is required. A person may be represented by their spouse, live-in partner, parent, sibling, child or another member.

A member also has the right to bring an assistant to the meeting with them. The assistant, who has no voting rights, can help the member with financial, technical or legal matters, or simply provide general support. The group of people who qualify to represent members may also serve as assistants. Other rules apply to legal professionals, with regard to those who may assist or represent them.

Decisions made at the meetings are normally determined by a simple majority. A simple majority means that a proposal has gotten more than half the votes. Certain decisions must however be taken through a qualified majority: two-thirds or three-quarters of the votes, for example. One such example is when changes are made to the bylaws.

NO-FRILLS MOTIONS

The tenant-owners' association general meeting is not just engaged in monitoring or following up on activities that have already taken place. Discussing the association's future is actually even more important. The board may seize the opportunity to raise key issues for discussion. The meeting is an excellent opportunity for the board to get ideas and guidance on how the members want the tenant-owners' association to be run.

The bylaws give the members the right to submit matters to be addressed at the meeting. These proposals are called motions and must be submitted in writing in advance of the meeting. The bylaws state when the motion period expires. The board then has time to respond to the motion. Motions and responses should be sent out along with the notice to attend a meeting.

In order for a matter to be considered a motion, it must include a proposal for measures to be taken.

THE BOARD'S RESPONSIBILITY BETWEEN MEETINGS

The general meetings is the tenant-owner association's highest-level decision-making body. But it is not possible to address all outstanding issues at this meeting. Therefore, a governing board is appointed at the meeting, the members of which are responsible for managing the association's assets – including property – between meetings. Hence, the board wields great influence within the tenant-owners' association. It is not uncommon for governing boards to take hundreds of decisions during a single financial year.



However, the board cannot do just as it pleases. For example, the board cannot sell or give away the tenant-owners' association's real estate or site-leasehold right. The board may not demolish or rebuild the property without the general meeting's approval.

According to the bylaws, the board must decide upon annual fees, draw up a maintenance plan, create budgets, inspect the tenant-owners' association's property each year and approve new members.

There are various other duties that the board is also responsible for. It's all about procuring administrative and technical services, managing and supervising anyone employed by the association, managing the association's assets and ensuring that the accounting is carried out in accordance with the law.

The board meets regularly and must record the minutes of the meetings. The board decides how extensive the minutes should be. At board meetings a lot of issues are discussed that may be of a personal and sensitive nature. There are also business considerations, which is why the meeting minutes are not "public" documents that members are entitled to receive. Most of the things that are discussed and decided upon by the board relate to issues the members have every reason to find out about. The board should therefore ensure that routines are established for the dissemination of general information to members – perhaps through regular meetings for residents, a members' publication, a site on the Internet, etc.

On the other hand, all members should be allowed to see the minutes from the general meeting. As a rule, the minutes are not normally distributed to members, but should be made available three weeks after the meeting at the latest.

The board's job is continuously reviewed by the auditors. They are, of course, entitled to inspect minutes of all meetings, and other documents.

WHO CAN BE ELECTED TO THE BOARD?

The board consists of a minimum of three and a maximum of 11 members and a maximum of four deputy members. The number of board members is decided upon at the association's general meeting. One board member must be appointed by the HSB association. They can also appoint a deputy member for this. The HSB

member must be able to guide the members on various matters based on his/her experience of working with other associations and knowledge of the HSB association.

The board members are chosen for two-year terms that end on alternate years. In this way, continuity is maintained in the board's work.

A person due to be elected to the board must be of legal age and may not be bankrupt or have a guardian according to the Parental Code. The person must also be a member of the tenant-owners' association or the HSB association. The HSB association is in turn a member of all tenant-owners' associations. A member's spouse or live-in partner can also be elected to the board even if the spouse or live-in partner is not a member.

The board members elect a chairman, vice chairman and secretary. Some tenant-owners' associations elect a chairperson at the general meeting. The board must also appoint a study organiser. The study organiser need not be a member or deputy member of the board.

The task of the board member is a matter of trust. This means that a board member or deputy board member may be removed from office at the board meeting, even if their term of office has not expired. The elected member is also free to resign at any time during their term of office without giving any particular reason for doing so.

As a member, you cannot expect that the board members are able to do everything. In order to cope with certain issues, the tenant-owners' association sometimes has to buy in expertise from outside. However, the board members know about the laws and regulations that count, how a budget is worked out, how maintenance plans are drawn up and monitored. Most HSB associations arrange continuous education for board members.

THE HSB ORGANISATION

The HSB-movement is organised into three parts: the tenant-owners' associations, the HSB associations and the HSB National Federation. The members of the tenant-owners' associations decide on everything related to their own tenant-owners' association.

The tenant-owners' associations and those with tenant-owners rights alike are members of and own the regional HSB associations. The HSB Association is in turn a member of the tenant-owners' associations. Membership is reciprocal, and this is why the HSB Association appoints one member and possibly also a deputy member to each board. The HSB Association is charged with creating conditions that are as favourable as possible for their members. The tenant-owners' associations should enjoy excellent service provided by the HSB associations, and should be able to buy management services from them at competitive prices. Many of the HSB associations also have membership cards, which provide members with various benefits.

The HSB National Federation is owned by the HSB associations and must support the HSB associations' activities, and actively promote the HSB movement's common interests. This is done by seeking to influence housing policy so that conditions are improved in order to create good housing for the members.

“ All members have the right to see the minutes of the tenant-owners' association general meetings. ”

HOW CAN WE AFFECT OUR LIVING COSTS?

Members of a tenant-owners' association where the finances are under control can feel secure. Monthly service charges do not need to be raised dramatically, and there are funds available to pay for the upkeep of the property. What state is your tenant-owners' association's finances in?

LONG-TERM PLANNING

A tenant-owners' association must be run according to the cost price principle. In the long run, the association will operate neither at a profit or loss. But it is not possible to plan and budget all revenue and expenditure precisely. As we all know, reality brings surprises. Tenant-owners' associations usually make a small profit or have a surplus of funds. These funds represent reserves in preparation for unforeseen expenses in the future.

Sometimes the board is aware that certain costs are due to increase in a few years' time, owing to extensive and costly maintenance work on the property, for example. In such circumstances it can be sensible to set monthly service charges that are on the high side for a few years, so that the association makes a profit and can accumulate capital. This capital is used to offset costs over time so that they are not felt through the sudden and dramatic increase in monthly service charges, when a major maintenance task has to be carried out, for example.

ANNUAL REPORT

According to the Book-keeping Act, an economic association is obliged to prepare an annual report for each fiscal year. In addition to the value that the annual report represents to the association's board, its main purpose is to provide information about the association's performance and financial position to various interested parties. The interested parties include not only members of the association but also employees, banks/lenders, government agencies, suppliers and customers. The annual report represents one of the main sources of information for potential buyers.

THE ANNUAL REPORT IS THE KEY TO THE TENANT-OWNERS' ASSOCIATION'S FINANCES

The annual report consists of several parts: a management report, an income statement, balance sheet, notes and the auditor's report. The financial statements comprise the income statement and balance sheet. For some items there are supplementary and explanatory accompanying notes.

The annual report begins with the administrative report, with an explanatory text on what has happened during the year. Here, there is information on who has had tasks to perform within the association, and a report

of anything significant that has happened during or after the fiscal year. The administration report must also contain facts relating to the condition of the property, employees, transfers as well as any activities that have been carried out within the association. Future expected developments must also be reported.

In some associations the board takes this opportunity to explain more fully what has happened during the year. The annual report is, after all, a publication that all members receive. In this way, the annual reports form a kind of continuous "reference book" about happenings within the association, which new members may find useful. Estate agents, banks, among others, are asking to see annual reports increasingly often.

THE INCOME STATEMENT SHOWS WHAT HAS HAPPENED DURING THE YEAR

A profit and loss statement contains mainly figures. Here, members can see details of the revenue and expenses the association has had in the past year, as well as any income tax that the association has to pay.

REVENUE

Revenue refers to the sales value of the efforts delivered or performed during a given period. Annual fees paid by members are usually the tenant-owners' association's main source of income. These fees, together with interest income, interest grants and rental income, must cover running and interest costs, as well as maintenance and reserves. Government interest grants were abolished in 2007. In the case of tenant-owners' associations that received interest grants before 2007 contributions are phased out gradually over a five-year period. Net revenue from annual fees and rent is reported in the profit and loss statement under the item called "Net sales". Rent and service-charge losses resulting from flats and other premises standing empty are consequently deducted under this item. Any potential allocation to internal funds is deducted. The notes specify what is included in net sales. Any possible losses that result from members and tenants not paying their annual fees or rent for any reason are recorded as a running cost. This is, however, only done after an attempt has been made to collect the funds to no avail. Interest income generally comes from various deposit accounts with banks or at HSB. The HSB Association helps with depositing money in accounts that offer good interest rates. It is not uncommon for tenant-owners' associations with good liquidity to make other investments in order to get better interest rates.

However, a tenant-owners' association should not invest capital in shares or unit trusts. Such investments are far too risky for a tenant-owners' association.



“ Store your capital in the bank or with HSB – not in shares or unit trusts. ”

COSTS

Costs are the acquisition value of the resources that a company has used during a certain period. There are different types of costs. Different tenant associations have different approaches to the way in which they specify these in their annual reports. Running costs, maintenance costs and capital charges are often major cost items for the tenant-owners' association. Larger tenant-owners' associations may incur staff costs; they may employ a caretaker and/or landlord's agent, for example. These people are paid salaries. In addition to salaries, the association has to pay social security contributions for them.

OPERATIONAL COSTS

There are many expenses listed under running costs, ranging from financial and technical management to cleaning and study materials. Some associations specify their expenses very carefully. Others choose to report lump sums.

Most associations need help with financial management – in other words, the payment of salaries and bills, the collection of service charges and rent, budgets, financial monitoring, balancing of the books and so on.

The management of the property includes the management of both land and buildings. Most tenant-owners' associations turn to their own HSB Association when it comes to the financial, administrative and technical management of the property. The HSB associations tailor this management to each tenant-owners' association's needs, wishes and demands.

Property insurance covers damage caused by fire, theft, water and vermin. Usually, the insurance also covers legal expenses, providing compensation for costs incurred by the association to pay a solicitor in connection with a legal dispute.

Sanitation costs include refuse collection, snow removal, sanding, sweeping and cleaning. Some tenant-owners' associations that have started making compost from their household rubbish have been able to reduce their spending on refuse collection significantly.

Heating and electricity account for a very large proportion of the running costs of buildings containing many flats. The power for heating purposes is usually the largest single running cost.

MAINTENANCE COSTS

The tenant-owners' association's main assets are the buildings and land. These must be maintained and taken care of. The maintenance costs are divided into costs for ongoing and periodic/scheduled maintenance. Current

maintenance covers minor repairs that are often unplanned.

Scheduled maintenance is the major repair work carried out at long intervals and planned in advance. This may involve rebuilding the roof, repainting the stairwells or replacing machines in the laundry room. In order to avoid major maintenance work charges during a single year, the board meeting can decide to reserve or transfer the cost to the fund for external maintenance in accordance with the maintenance plan established by the board.

The funds claimed in this way must not exceed the periodic maintenance costs for the year.

According to the normal bylaws, the board can establish a fund for internal maintenance. When applicable, the board also decides upon the amounts that are to be set aside. The funds are tied to individual owner-occupied flats. When someone with a right of tenant ownership carries out maintenance on their flat, they may withdraw an equivalent sum of money from the fund, provided that there are sufficient non-distributable reserves for that particular flat.

CAPITAL COSTS

Interest costs are a major expense for most tenant-owner's associations. Many associations have annual interest costs amounting to millions of Swedish kronor. A small change in the interest terms for a large loan can have a significant effect on the association's finances and on the members' housing costs. When a loan has to be transferred, there is therefore every reason to examine the loan market. The HSB association can help supply a contact within the appropriate lending institutions. If the tenant-owners' association also has a good cash position, it may be wise to pay off the loans when they are rearranged.

Association rent is charged by the tenant-owners' associations with a view to building up capital in the HSB association. Rent was introduced in the HSB movement's infancy in the 1920s, and is contractually regulated. Rent amounting to 0.125 percent of production costs per year has been charged for 20 years, which means a total of 2.5 percent of production costs. Rent is an important part of the HSB movement's structure. Today, such capital is built up directly when the buildings belonging to the tenant-owners' association are constructed.

Many tenant-owners' associations do not own their land, but rather have a land leasehold that allows them to have use of it. For this, they pay a site fee called ground rent.

PROPERTY TAXATION

Starting in the 2007 income year, the standard taxation on owner-occupied flats was removed. This means that the tenant-owners' association is no longer allowed to make a deduction for interest. The state property tax was changed in 2008; it was abolished and replaced by a new tax known as the communal property charge.

Since 2008, capital gains made through the sale of private property have been taxed at 22 percent. At the same time, the rules for the deferral of capital gains tax were changed. The new deferral limit was set at a maximum of SEK 1.6 million from 2008. All deferred capital gain is taxed annually at 0.5 percent.

THE ANNUAL RESULTS COMPLETE THE INCOME STATEMENT

The annual results are the difference between revenue and costs, and these are reported last of all in the income statement. Note that some of these results are used for the annual reserves/transfer to the fund for external maintenance. With a carefully thought-out budget, the association is most often run at a profit.

THE BALANCE SHEET SHOWS THE FINANCIAL POSITION

The second main part of the financial statements is called the balance sheet, which shows the association's financial position on a specified date. A balance sheet must be drawn up on the last day of the fiscal year. The fiscal year often closes at the end of the year, but there are also split fiscal years – for example, July 1 to June 30.

The balance sheet shows the association's assets, debts and equity. In terms of assets, property, movables (equipment, furniture and fittings), receivables and bank deposits are all reported. In terms of debts, the association's loans and other liabilities are entered, among other things. Funding from the owners is called equity. Equity usually consists of deposits, funds for external maintenance, balanced results and annual results.

ASSETS

First among an association's assets are its fixed assets, which can be divided into tangible and financial fixed assets. Fixed assets are such things that are used for a long time. The most important fixed asset is the association's property, including land and buildings, as well as movables. Money is written off for buildings and movables, but not land.

Finally, assets include turnover assets: things that are readily convertible into liquid means – in other words, cash. These are the funds available in credit-giro and bank accounts. Trade debtors are also included here.

EQUITY AND DEBTS

The association's capital comprises a certain amount of restricted equity as well as some non-restricted equity. In the accounting context, equity is normally regarded as the company's debt to the owners. Depending on whether the association is making a profit or loss, the impact on the equity varies.

The restricted equity comprises the money that the members paid in when the tenant-owners' association was newly established, and the funds for external maintenance.

The non-restricted equity is the accumulated profits and losses that have been carried over to future years. Having received suggestions from the board, the members decide on how the profits and losses for the year should be handled at an ordinary tenant-owners' association general meeting.

The property loans used to finance the construction of residential buildings and/or renovation work are listed under the item labelled "long-term liabilities". To guarantee the property loans, the association will normally

have paid mortgage deeds, and details of the figures involved must be provided on the balance sheet, under the heading deposit collateral.

Current liabilities include the installments that have to be repaid on loans over the next year, trade creditors, funds for internal maintenance and accrued expenses (costs for the fiscal year for which the association has not yet received invoices) and deferred income (service and rental charges for the next fiscal year).

IS THE ASSOCIATION IN A STRONG FINANCIAL POSITION?

Liquidity is a term used to assess the association's ability to repay its dues in the short term. An association with a good cash position or liquidity has liquid assets that are greater than its current liabilities. Ideally, liquid assets should also cover internal upkeep and external maintenance.

Solidity or solvency is calculated by comparing total assets with total debts. The more assets that are funded using equity, the better the solidity or solvency.

If, for example, the association wants to take out a loan in the future, it can be both difficult and expensive if the lender deems the association's solvency too fragile.

CERTIFICATION

Tenant-owners' associations that are HSB members can become HSB-certified. HSB certification is a system designed to quality-assure housing associations. Certification provides members and other stakeholders with information on the association's finances, planning and forecasts of the future.



PROPERTY MANAGEMENT

Everyone living in an owner-occupied flat may have a say in the management of their housing area. In the tenant-owners' association general meetings, the members are free to decide on management guidelines.

PROPERTY MANAGEMENT INCLUDES BOTH BIG AND SMALL ISSUES

The term "property management" includes a whole range of tasks that must be performed in order for the residential area to function well. Elevators that break down must be repaired, stairwells must be cleaned, lawns must be mowed, and roads and pathways must be cleared of snow.

Contact with the members of the association is also an important aspect of property management. It may involve transfers, points of order, or welcoming new members to the association.

The board is responsible for property management. However, it is not always the board members that carry out the actual work.

THE OUTDOOR ENVIRONMENT IS IMPORTANT

The management of the residential area is not only about running the buildings. The outdoor environment is equally important. A pleasant outdoor environment is an inviting place for the tenant-owners to spend time. When people are in the outside parts of the residential area, social bonds are established and they get to know each other.

A simple way of inviting people into the "outdoor area" is to set up tables and benches in different places. A variety of such outdoor rooms can be created for different activities by planting vegetation. Children play ball on the lawn, the barbecue stands next to the lilac bower so that dinner guests have a sheltered spot in which to enjoy their meal, and there are a few chairs on the patch of grass near the herb garden, where people can sit and rest in the sweet-smelling air. There are plenty of benches near the playgrounds, so that parents can sit and chat while the children play.

To reduce costs association members can arrange to get together for cleaning days a few times a year. This is when they rake leaves, plant bulbs, oil the outdoor furniture or cut back the brushwood.

TAILOR-MADE PROPERTY MANAGEMENT

Tenant-owners' associations belonging to HSB decide who to hire to do their property management themselves. Most associations choose to turn to the particular regional HSB association to which they belong.

EACH MEMBER IS RESPONSIBLE FOR THEIR OWNER-OCCUPIED FLAT

In a tenant-owners' association, those with rights of tenant ownership are responsible for repair and maintenance of their own flats. The association is responsible for all other maintenance.

Those with rights of tenant ownership must keep their flat in good shape. This means that those with rights of tenant ownership are responsible for the maintenance and repair of their flats. People with rights of tenant ownership are responsible for wallpapering, painting, bathroom maintenance and damage repair so that their flats are always kept in good shape. They can dispose of any resources that may exist in the internal maintenance fund. On the other hand, the members are not responsible for the repair of the drainage, heating, gas, electricity, water and ventilation pipes that have been fitted for their flats by the associations, and which serve more than one property. In HSB's normal bylaws (§ 36), it is possible to read about additional boundary lines. If land is included in a property deal, the person with the right of tenant ownership is also responsible for that.

A person with the right of tenant ownership may also modify and alter their flat. Interference with a load-bearing structure, changes to cables other than power lines or any other substantial alteration work, requires the approval of the board. The board may not refuse permission for these procedures, unless the measures would cause tangible damage or inconvenience to the association.

MEMBERS HAVE A RIGHT TO INFORMATION

Tenant-owners' associations with members who are open and generous are often very transparent. The members know what is going on and no one feels neglected or has to worry about being treated differently.

Those who aren't informed do not become engaged in matters relating to the association.

The information must be disseminated in various ways in order for it to reach everyone. Many associations have an internal newsletter or information sheet that is distributed regularly. Others have their own websites, which they use to share information and deliver messages. Personal contact among members is important. In large residential areas the board members hardly get to know everyone. It can be a good idea to appoint a housing-block representative.

This housing-block representative can serve as an extension of the board, and distribute information. This housing-block representative can also help new members (explain how the communal laundry room works, how household waste is sorted, and which rules apply to ensure the well-being of all members) and pass on tasks to the caretaker, such as when the stairwell needs attention.



“ If everyone helps to keep things neat around them, administrative costs can be kept at a minimum. ”



HSB's ENVIRONMENTAL WORK

The HSB movement's greatest environmental impact is through about 4,000 housing associations. Local environmental work depends on the members' level of engagement. Today a great deal of work takes place within HSB, with the sorting of household waste, the handling of hazardous materials, PCB (polychlorinated biphenyl) decontamination, reduced energy consumption and the creation of green, living communal courtyards.

In the 31 regional HSB associations, there are those who are specifically responsible for coordinating environmental initiatives. They work to bring about higher environmental performance within the regional association, and help the tenant-owners' associations to work with property managers to improve on their environmental work.

ENVIRONMENTAL WORK IN THE TENANT-OWNERS' ASSOCIATIONS

In tenant-owners' associations it is usually easier to get started on environmental tasks than in other residential areas. The residents decide for themselves what they want to start with, and do not need to convince the property owner first.

The most important aspect of the environmental work is taking care of the environment and hazardous waste. This includes acetone, white spirit, paint remains, pharmaceuticals and nickel cadmium batteries, among other things. These things must be disposed of according to instructions issued by municipal council.

Most associations can compost if they wish. This may be done first on a trial basis, involving a number of members and a few compost bins. Making compost is something that usually awakens people's interest. The compost is placed on flower beds, and the association avoids having to buy chemical fertiliser. Some may want to take things a step further, and demand that the association should focus on environmentally friendly gardening. The association then sets environmental standards for the company that takes care of the outdoor environment.

When the association has got things well underway, members start to consider what they can do themselves. For example, you can discuss issues relating to the selection of goods available in the local shop. You can talk to the staff in the shop about ordering in more organic products, and a greater selection of potatoes, root vegetables and other vegetables grown without the use of chemical fertilisers and pesticides.

The associations can also establish their own environmental goals. These might include using less hot water and electricity, for example. Associations that have an imminent renovation project ahead of them may require the contractor they have hired to use materials that work well from an environmental perspective.

For more tips on how the housing association can conduct its environmental efforts, contact your regional HSB Association or visit the HSB website (www.hsb.se).

CULTURE AND COMMUNITY

The HSB resident is not obliged to remain content simply with a good, attractive home. The accommodation should also provide opportunities to engage in social activities and to enjoy quality leisure time. The bylaws sometimes mention that a tenant-owners' association has the objective of promoting study and leisure activities.

Investments in culture and leisure time are actually as important for the association as the maintenance of property. People generally feel better if they know their neighbours, and are able to cultivate their interests at home. Those who are happy care for their housing area, which is cheaper for the tenant-owners' association. People who are happy and secure also feel better, which improves their quality of life.

THE BOARD SUPPORTS ACTIVITIES

In a tenant-owners' association the board has an influence over which activities get underway. A board that does not become engaged in activities may seriously dampen people's enthusiasm.

The members of the association cannot expect the board to arrange and organise all the desired activities. However, members can expect the board's support when they come up with suggestions and initiatives. This support may involve making premises available, or earmarking money for the necessary activities and equipment.

TAKING CARE OF NEW MEMBERS

New members can stimulate the association. When you move into a residential area, you often have high expectations of your home. You have left an old situation and put your faith in something new. Do we, the established residents of the association, take advantage of this?

Many association boards have recognised the value of welcoming new members to the tenant-owners' association. This can be done in a variety of ways. One of the board members can, for example, visit the new member, give them a welcome bouquet of flowers and hand them some written material about the association and HSB. Those who move into the residential area during the year can also be invited to a special get-together with the board. They all enjoy a meal together, get to know one another, and the board members talk about the tenant-owners' association. The new members are drawn into the communal feeling.

THE STUDY ORGANISER HAS A KEY ROLE

According to the normal bylaws, each board should appoint a study organiser. The study organiser has a key role in the inner life of the association. Obviously, the individual in question does not have to do everything single-handedly, but is still the person who can support different activities and get a feel for what the members want.

In larger associations, where it is difficult to get to know all of the members, it is helpful if the study organiser has the support of a study and leisure committee. It is so much easier to brainstorm if there are several people present. These people should preferably live in different parts of the residential area so that the committee can accommodate as many of their suggestions and wishes as possible. The committee then helps to realise the parties and activities that have been agreed upon. Preparations for and realisation of these things need not take as much time if many people are involved.

In small associations it can be difficult to arrange any activities at all. There may be too few living in the association to get together a group with a common interest. Appropriate premises may be lacking. Here, the study organiser can try to develop a cooperation with neighbouring associations. Is there any interest in joint arrangements?

WHICH ACTIVITIES FIT IN AT MY ASSOCIATION?

The study organiser can of course take the initiative and suggest activities. But it is wise to carry out an analysis of the residential area and the members first. It is easiest to drum up enthusiasm for, and get a positive response to, things that members already have experience of. A handicraft exhibition in one particular association awakened the interest of others in painting on silk, and the association member who had the exhibition led a study group later on. A photo exhibition with pictures showing how the area looked in the past prompted an elderly member of the association – who had lived in the area back then – to volunteer to lead a couple of guided walks in the spring and autumn.

Activities are appreciated to varying degrees, depending on the age of the residents; boules is something for associations with older members, while crayfish parties may be of more interest in places with many families with children. People might also be interested in an aerobics group. Families with children often have trouble finding enough time for anything other than children and work. Going to aerobics in the neighbourhood premises (older children may also join in) sounds a lot easier to fit into the weekly schedule than going during the lunch hour, after work or on Saturday mornings.



“ It is important for new members to feel welcome. Invite them to meet with the board. ”

GOOD HOUSING

Right from the start in 1923, when HSB was founded, the goal has always been to build good housing. To this day HSB's mission is to create good housing in cooperation with the association's members.

HSB HISTORY

In the 1920s, most Swedes lived in very low-quality housing. HSB built workers' housing with hot and cold running water. This was unheard of and received much criticism from different parties. HSB's members stood their ground and continued to build and develop adequate housing. HSB was the first to come up with rubbish chutes, laundry rooms with washing machines and functional kitchens.

HSB has always been one step ahead on the housing-development front. In the 1930s, HSB established the first kindergartens in Sweden, long before local authorities started to build day nurseries.

In the 1930s, HSB bought and opened many factories so it could gain access to good, cheap building materials. At that time, HSB also built good housing for the less well off, which were known as "child-rich housing".

In the 1940s and 1950s, HSB continued to develop its thinking behind good housing. Homes became bigger. It became more common to have a flat with two rooms, instead of one, and a kitchen. In its push for development, HSB became the first to install refrigerators and freezers. HSB also prepared housing blocks for television reception very early on. By 1955 all new construction already came prepared for central antenna. Since then, HSB has continued to build bigger and better housing.

THE DEVELOPMENT OF GOOD HOUSING

Much is still the same at HSB in terms of the demand for good housing. Good housing is the key to a good life. Good housing creates the right conditions for people's self-development, and helps them foster relationships with others. Creating a residential area characterised by quality and beauty is a fantastic way of giving a new generation the opportunity to build their self-esteem.

The proportion of older people in the population will increase dramatically during the first half of the 21st century. One major issue being addressed at HSB is the possibility of helping people to carry on living at home, with the help of the association's members. Society's resources in terms of healthcare and welfare services are becoming increasingly limited. In the public healthcare domain, there are also changes taking place that could open up possibilities for developing a co-operative home-help service.

Since the beginning of the 1920s, HSB has been working with various types of personal services. Today's personal services range from neighbourhood voluntary efforts within tenant-owners' associations to HSB's bringing in contract work using the customer-choice model within the domain of elderly care. Many elderly people live insecure and lonely lives. Some tenant-owners' associations with many older members have special senior-citizens clubs. Their activities are made available by linking them to people's living accommodation. Such services and activities can create value – for example, in terms of a sense of community, security and fulfillment.

It is not only the elderly who might be interested in personal services. In some parts of the country the regional HSB association offers domestic services such as cleaning and assistance with minor repairs. The selection of services varies depending on local needs. These are needs that a cooperative movement – together with an association's members – can find solutions to.

The tenant-owners' association can develop the social aspect of living in such housing. There are opportunities to study and take up hobbies and leisure activities. Here, there is a basis for developing complementary cooperative solutions. This can apply to activities for the various stages in life.



USEFUL INFORMATION FOR HSB TENANT-OWNERS

explains what it means to live with the right of tenant ownership at HSB. The brochure provides examples of the ways in which members can influence and take part in the development of their homes and their tenant-owners' associations.

Issues addressed in the brochure include:

- how decisions are taken in a tenant-owners' association
- what happens at the tenant-owners' association general meetings
- how you study an annual report
- how you can affect your living costs
- how you can develop the environment and activities in your association.



HSB – home of opportunities

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