

# A Study on factors for sluggish activation of Cooperative Publicly-funded Private Rental Housing\*

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The purpose of this study is to analyze the Westay which have been proposed as an alternative housing type for ensuring the expansion of public housing and community recovery as the pilot project in order to derive the reasons why the additional cooperative publicly-funded private rental housing projects have not been implemented.

Based on the interviews with the stakeholder groups, a summary of the main contents derived and the survey results are as follows. First, there is a widespread negative perception of cooperative housing as having an abnormal operational structure, calling for the need to improve such perception. Second, the project procedures and structures of Westay Byeollae have procedural problems, such as exclusion of residents' cooperative from participating in the project and lack of guidelines. Third, the cooperative publicly-funded private rental housing has a complex structure, in which the public, private businesses, and cooperative members participate, resulting in conflicts between stakeholders with respect to each party's roles. Lastly, the group involved in the project asserted that implementation of additional cooperative publicly-funded private rental housing, which was carried out as a pilot project, has not been active owing to the lack of trust in the union, complexity of the project structure, and concerns over preferential treatment commonly linked to cooperative housing projects.

This study derived the reasons, why the cooperative publicly-funded private rental housing was not additionally implemented, based on the interviews of the stakeholder groups who are directly or indirectly involved in the cooperative publicly-funded private rental housing project. Henceforward, it is expected that the results of this study will be helpful for the effective policy analysis and implication for the revitalization of the cooperative publicly-funded private rental housing.

**Key words** \_ Westay, Cooperative publicly-funded private rental housing, Social housing

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\* This study is a revised and supplemented part of the first author's doctoral thesis

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# 협동조합형 공공지원 민간임대주택의 활성화부진 요인 분석

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본 연구는 공적주택의 확대와 공동체 회복을 위한 대안적 주택유형으로 평가를 받은 협동조합형 공공지원 민간임대주택의 최초 사례인 '위스데이 별내'를 분석하여 시범사업 이후 추가적으로 협동조합형 공공지원 민간임대주택 사업이 진행되지 않는 원인을 도출하는 것이다.

'위스데이 별내' 사업에 참여한 이해관계자 그룹의 면접연구를 기반으로 진행된 연구결과를 종합하면 다음과 같다. 첫째, 조합주택이 사회적으로 부정적인 인식과 복잡하고 일반적이지 못한 사업구조로 인식되고 있어 협동조합형 주택에 대한 부정적인 사회적 인식의 개선이 필요하다. 둘째, '위스데이 별내'의 사업절차 및 구조는 입주민 협동조합의 사업참여 배제, 매뉴얼 및 가이드라인의 부재 등의 절차상 문제점이 발생한다. 셋째, 협동조합형 공공지원 민간임대주택은 공공, 민간사업자 및 조합원이 참여하는 복잡한 사업구조 속에서 각 이해 당사자 간의 역할이 명확히 규정되지 않아 각 당사자들의 책임과 역할을 둘러싼 갈등 및 이로 인한 조합원간의 갈등이 발생한다. 마지막으로, 시범사업으로 시행된 협동조합형 공공지원 민간임대주택은 조합에 대한 신뢰부족과 사업구조의 복잡성, 조합형 주택사업의 특혜성 인식으로 인하여 사업이 활성화되지 못하고 있다. 향후 본 연구 결과가 협동조합형 공공지원 민간임대주택 활성화를 위한 실효성 있는 정책적 분석과 함의에 도움이 되기를 기대한다.

주제어 \_ 위스데이, 협동조합형 공공지원 민간임대주택, 사회주택

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## I . Introduction

The domestic housing policy implemented over the past 30 years since the permanent rental housing in 1989, has two primary characteristics. First, housing supplied via the domestic housing supply system is divided into public and private housing. For public housing, the government provides housing welfare and stability for the socially disadvantaged classes, such as non-homeowners, low-income people, and recipients of a basic living allowance, who have difficulty finding an affordable place to live. Private housing is provided by private business owners for profit. However, the supply of public housing was inevitably limited due to the limited land and financial resources of the government; thus, the supply of private housing provided for profit was expected to meet the people's needs. Accordingly, in 2015, the government presented a new housing type called New Stay, which was envisioned as a housing plan that could satisfy both the public's needs and expand the supply of housing. However, there was criticism that New Stay was insufficient in view of the benefits given to private businesses, so the existing New Stay program has been reorganized and implemented with a focus on its strengths such as, promoting publicly-funded private rental housing with enhanced publicity and maintaining long-term residences, as well as implementing rent increase restrictions for eight years in response to the need to strengthen public housing to increase public support (MOLIT, 2017.12.6.).

The second characteristic of the domestic housing policy is the supply of apartments with a focus on supply expansion. As of 2019, the total number of housing units in South Korea was 18,127,000, of which 11,287,000, or about 62 percent, were apartments(Statistics Korea, 2020.11.17.). The prevalence of apartment housing, which accounts for the largest proportion of domestic housing, causes various social problems. In particular, a policy of increasing the supply of domestic apartments was pursued to increase the number of houses as much as possible rather than considering residents' convenience and community activities. The housing suppliers unilaterally determined the design of the housing without reflecting on the opinions of the occupants. As a result, the sense of community disintegrated, and the culture of mutual aid was weakened. Furthermore, the tendency to adopt an attitude of indifference

toward one's neighbors accelerated, and the lives of the residents became isolated and fragmented. Ultimately, such issues have led to a decrease in the quality of life of apartment dwellers and weakened the residential safety net.

In response to these issues, the government has been trying to diversify rental housing types to reflect the housing needs for households with various social and demographic characteristics.

Cooperative publicly-funded private rental housing is one of these alternative housing types which is expected to help restoring the sense of community. Cooperative publicly-funded private rental housing is characterized as an alternative housing type in which tenants cooperate and act as the main body governing the housing supply, design the housing according to their desires, form a community within the complex, and designate a space for community activities. The residents take the lead in the development and community operation process, and this participation in the project from the beginning foster a sense of community among the residents. However, no additional cooperative publicly-funded private rental housing projects were carried out since Westay Byeollae and Westay Jichuk projects, which were proposed in December 2016, and Westay still remains the only example of such pilot projects.

The purpose of this study is to analyze the reasons why cooperative publicly-funded private rental housing projects are not actively carried out in the field by means of the in-depth interviews with the stakeholder groups involved in Westay Byeollae project. This method was chosen because the experiences and opinions of the stakeholder group that participated in the project were extremely important for drawing the conclusions of this study. The project and its procedural problems may be difficult for the residents to understand, and Westay Byeollae, as the only domestic case of a cooperative publicly-funded private rental housing project in which occupancy has been achieved, is an unfamiliar housing approach in South Korea.

## II. Theoretical and Previous Studies Considerations

### 1. Cooperative publicly-funded private rental housing

Cooperative New Stay was designated a pilot project by the Ministry of Land, Infrastructure, and Transport and the LH Corporation, as a way of supplementing the evaluation that the “publicness” is insufficient, compared to the benefits to private corporations in 2016. The Cooperative New Stay project is a business in which cooperatives participate in the construction, rental, and management of corporate rental housing and encourage non-profit organizations such as social enterprises and social cooperatives to participate in the supply of private rental housing while returning profits generated from development, rental, and management to members and society; at the same time, it is aimed at improving the quality of residential services and creating jobs (social jobs, resident jobs, etc.) through the formation of a resident community(LH, 2016.10.28.).

[Table 1] Comparison between corporate and cooperative New Stay

Division	Corporate New Stay	Cooperative New Stay
Business manager	· Construction company	· Social enterprise
Rental fee	· 95% of market price	· 80% of market price
Annual rental growth rate	· About 5%	· About 2.5%
Tenant participation	· None	· Participatory design
Shares of REITs	· Construction company	· Social cooperative
Housing price decision after 8 years	· Construction company's profit centered	· Social cooperative + HUG
Housing sale profit	· Construction company	· Social cooperative

Source : Deoham internal data.

The cooperative publicly-funded private rental housing was provided in the form of publicly-funded private rental housing, but according to the characteristics of the housing types, it is a type of cooperative housing, which is a form of social housing.

“Social housing” is rental housing that is supplied by social and economic entities and


characterized by low rent, differential imposition of occupancy, rent according to income level, a guarantee of a stable residence period, and the pursuit of social value. Social and economic entities, such as social companies, social cooperatives, and non-profit corporations, are the payers in the social economy. Through an ordinance, the City of Seoul recognizes cooperatives, preliminary social enterprises, and housing-related small and medium-sized companies as suppliers of such housing(Cooperation of related ministries, 2020).

Social housing was designated as an official housing type in the ordinance that was enacted by the City of Seoul in 2015. The City of Seoul defined the concept of social housing as “a type of rental housing provided by social and economic actors related to providing housing for the socially and economically disadvantaged” through the enactment of the “Ordinance on Support for the Promotion of Social Housing in Seoul” on January 2, 2015(Ko, Jung-Hi and Suh, Yong-Sug, 2018). The City of Seoul laid the foundation for the growth of non-profit organizations, cooperatives, and social enterprises as the main bodies addressing the housing supply. Through this ordinance, Seoul sought to expand the supply of social housing for those who were underprivileged in the social economy by supporting social housing providers; thus, it began the social housing pilot project in earnest. As the City of Seoul preemptively implemented the social loan program, small social and economic actors were able to advance into the social housing business. However, the burden of providing financing for businesses was not relieved, as the social housing operation period was six to forty years, while the social loan period was as short as five years. Accordingly, the opinion that long-term, low-interest loans should be supported at the national level was continuously advanced(SHURI, 2017).

Westay Byeollae in Namyangju and Westay Jichuk in Goyang are examples of publicly-funded private rental housing projects. The promotion of Westay Byeollae began in October 2016 with a Cooperative New Stay private operator competitive bid for the two districts (i.e., Byeollae, Namyangju (A1-5BL) and Jichuk, Goyang (B-7BL)). In December 2016, the private operator Deoham Consortium was selected as the preferred negotiator. After the preferred negotiator was selected in December 2016, cooperative promoters and members (25%) were signed up from January to April 2017, and the cooperative was established with approval after the founding general meeting of the cooperative (May 2017). The difference between the cooperative New Stay and existing New Stay projects was that the process used to

establish the cooperative was added to the project procedures, and the project implementation process was conducted simultaneously to determine the project participant’s organization. The private operator passed the MP review in February 2017 and the construction review in April 2017 while conducting the union establishment process. Construction began in March 2018 following the approval of the business plan by the City of Namyangju in October 2017. The Westay Byeollae project was then completed and ready for move-in in May 2020. In this complex process, the construction of Westay Byeollae began 1 year and 3 months after the selection of the preferred negotiator in December 2016, and was completed and ready for move-in in 3 years and 5 months. After these two pilot projects, however, no additional cooperative publicly-funded private rental housing projects has been carried out.

[Table 2] Status of Westay Byeollae

Division	Content	Westay Figure
Location	· Namyangju-si Byeollae-dong A1-5 block	
Area	· 30,631m <sup>2</sup> (land area) / 72,562m <sup>2</sup> (total floor area)	
Scope	· 2nd basement – 22nd floor / 7 Bldgs.	
Units	· 24 type (86), 29 type (252), 34 type (153)	
Facility	· Additional and community facilities - 730 pyeong	
Schedule	· Start – 2018. 3. / Move-in – 2020. 6.	
Consortium	· Deoham(organizer), Kyeryong(ci), Daehan(trust role)	

Source : Westay Byeollae homepage.

## 2. Previous studies

Westay Byeollae, which is the subject of this study, was the first cooperative publicly-funded private rental housing project in South Korea. It was the only cooperative publicly-funded private rental housing case in which occupancy was achieved through joint projects between the public sector and private businesses and occupants. It is a relatively unknown type of housing project in South Korea, and there are currently not many studies on cooperative publicly-funded private rental housing.

The major studies related to the cooperative housing include those of Park, Jinho(2021), Kim, Ran-Soo(2021), Lee, Jung-Ho and Seo, Duck-Su(2021). First, Park, Jinho(2021) analyzed the correlation between the case of Westay Byeollae, which is a cooperative publicly-funded private rental housing project, and the core elements suggested in the Sustainable Development Goals (SDGs). Kim, Ran-Soo(2021) examined the sense of community and the demand for the community programs of cooperative-type rental housing, which is oriented toward fostering a village-type community for the prospective tenants of Westay Byeollae, which is a large-scale cooperative rental housing project, and visitors to the model house. Kim analyzed the characteristics of the tenants and presented the planning direction for large-scale cooperative-type rental housing. Lee, Jung-Ho and Seo, Duck-Su(2021) analyzed the dynamics of apartment communities in depth through a literature review, expert and resident interviews, visits, and observations based on Arnstein and Nabatchi's resident participation theory. Through a class analysis of the residents' participation in the community, the development direction for cooperative housing based on resident participation in Korea and the implications for the establishment of communities' social infrastructure were presented.

[Table 3] Major Previous Studies

Division		Analysis target and Contents	Analysis method			
			Data	Literature	Interview	Case
Cooperative publicly-funded private rental housing	Park, Jinho(2021)	· Westay and SDGs		○		○
	Kim, Ran-Soo(2021)	· Prospective tenants in Westay Byeollae	○	○		○
	Lee, Jung-Ho et al.(2021)	· Residents in Westay Byeollae		○	○	○

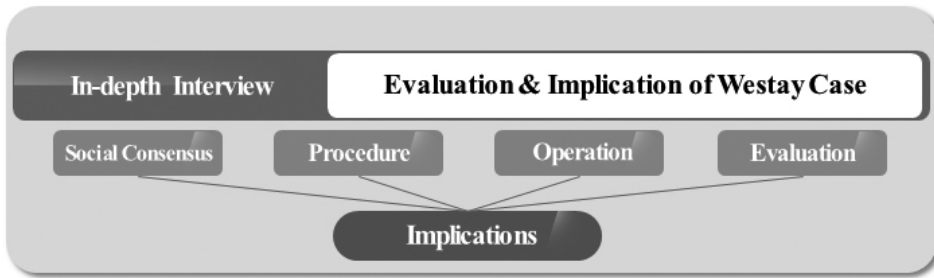
### III . Design of the Study

#### 1. Analysis Framework

The purpose of this study is to derive the reasons why the additional cooperative publicly-funded private rental housing does not proceed through the interview analysis of the



cooperative publicly-funded private rental housing project. The framework for study is set up as shown in [Figure 1] including alternatives, directions, and potential applications that can solve fundamental problems in the implementation process through in-depth interviews.



[Figure 1] Analysis framework for study

## 2. Interview Design

To overcome the challenges associated with Westay Byeollae, this study conducted in-depth interviews with experts and participants who have been directly or indirectly involved in the Westay project as shown in [Table 4]. These interviews highlighted the differences between the results of the research and the perceptions of the site. In addition, a second in-depth interview was conducted with private business groups to assess the feasibility of and opinions on cooperative housing.

[Table 4] Target and Period for In-depth interview

Division	Target	Date
1st	• Participating stakeholder group	• 2021. 7. 27. ~ 8. 27.
2nd	• Private business group	• 2021. 10. 25. ~ 11. 12.

In this study, interviewees were broadly divided into four types: “representatives of the cooperative,” “representatives of the developer,” “representatives of the public institution,” and “representatives of private business entity.” The in-depth interviews took place in two rounds, with 14 participants in total, and the distribution of the questionnaire by group is

shown in [Table 5].

[Table 5] Status of targets for In-depth interview

Division		No. of survey participants	Ratio
1st	· Representatives of the cooperative	3	21.4%
	· Representatives of the public institution	3	21.4%
	· Representatives of the developer	5	35.7%
2nd	· Representatives of private business entity	3	21.4%

### 3. Questionnaire Design

The questions of this study consist of five subjects: the social consensus, procedural issues, operating system, and evaluation of the project, and suggestions for improvements related to Westay Byeollae. Through preliminary interviews with housing-related experts, the composition of the questionnaire for the in-depth interview was developed. In light of the main issues of the cooperative housing project that emerged from the preliminary interviews, the details was specified to be covered in the in-depth interview questionnaire. Detailed-questions were created according to the major questions to ensure the specificity of the results of the in-depth interviews.

As mentioned above, the main questions related to social consensus, business procedures, operating systems, and business evaluation. In terms of social consensus, the items revolved on the recognition and necessity of cooperative publicly-funded private rental housing, which is somewhat unfamiliar to the public. Regarding the project's procedure, the questionnaire included items on the execution of the project and plans after it ends. On the issue of the operating system, the items were on the roles and conflicts between business entities and the specifics of a cooperative project. Lastly, on the project evaluation and suggestions for improvement, questions were asked on why cooperative projects are difficult to implement and how to revitalize them. [Table 6] and [Table 7] show the main questions and detailed-questions for each topic.

[Table 6] Key Questions to the expert group

Survey Subject		Main Questions
Social Consensus	1	· Social awareness of Cooperative P.F.P. rental housing
	2	· Social necessity of Cooperative P.F.P. rental housing
Business Procedure	3	· Problems in business progress and improvement plans
	4	· Problems and Improvement plans at the end of the project
	5	· Problems and Improvement Plans for Establishment of Cooperative
Operating System	6	· Conflict factors between the roles of stakeholders participating in th project
	7	· Conflict factors between cooperative promoters (25%) and late tenants (75%)
Project Evaluation & Recommendations	8	· The reasons why Coop. P.F.P. rental housing is not additionally carried out
	9	· Opinion on Revitalization Plan

[Table 7] Detailed Questions to the expert group

No.	Subjects	Detailed Questions
1	Social Awareness	What is the general perception of cooperative P.F.P. rental housing ?
2	Social Necessity	Do you think cooperative P.F.P. rental housing is socially necessary ?
		If necessary, why does it need, and if not, Why not ?
3	Problems with Procedure	Are there and procedural problems with cooperative P.F.P. rental housing ?
		If there are procedural problems, at what stage do you think they appear ?
4	Conflicts upon business expiration	What are the procedures and plans after the 8-year lease expires ?
		Who is determinant of the procedures & plans after expiration of the 8-year lease ?
		Are there any anticipated conflicts after expiration of the 8-year lease ?
5	Related to Establishment of cooperative	How was recruitment process for those who agreed to establish cooperative (25%)?
		Was the recruitment of people with social economy experience (25%) smooth ?
		What are alternatives when social economy experienced people are not gathered ?
6	Role conflict between Stakeholders	What are the roles of the participants in the project ?
		Are there any problems with the roles of project participants ?
		Is it necessary to reconsider the roles of participants in the project ?
7	Conflict factors between members	Are there any conflict factors between Early members(25%) & Late members(75%)?
		If there is conflict factor, Why do you think it appears ?
8	Activation sluggish factors	What is the policy or system that affects promotion of Coop. P.F.P. rental housing ?
		Why are Coop. P.F.P. rental housing not additionally proceeding ?
9	Activation Plan	What are the plans & Opinions on revitalization of Coop. P.F.P. rental housing ?

## IV. Interview Results

### 1. Social consensus

#### 1) Social consensus on cooperative publicly-funded private rental housing

[Table 8] Response rate on the social perception

No.	Subject	Survey Details	No. of respondents			
			Coop.	Dev.	Public	Ratio
1	Social Perception	1-1. Negative social perception of cooperative	3	4	1	72%
		1-2. Low social awareness of Coop. housing	3	5	3	100%

Coop. – Representatives of the cooperative

Dev. – Representatives of the developer

Public – Representatives of the public institution

When asked about social perceptions on cooperative publicly-funded private rental housing, 72% of the experts answered negatively and 28% answered positively as shown in [Table 8]. The main criticism of cooperative publicly-funded housing is that local housing, reconstruction, and redevelopment associations are viewed negatively by the public, especially public officials and public institutions that see cooperatives (social cooperatives) as extremely negative. It might be due to a high level of social resentment toward local housing associations, reconstruction associations, and redevelopment associations. Also, it might stem from a general sense of socialism and anxiety engendered by the name, cooperative. Particularly, cooperative within the social economy entail poor social awareness because of antipathy toward socialism as a result of the name, special treatment for developers, and a perception about cooperative.

Meanwhile, a positive opinion is that strengthening the capacity of social economy, such as cooperatives, and creating ecosystems, revitalizing private rental housing through public support, and establishing a new housing supply model can be linked to addressing future social housing supply problems. Additionally, since it is difficult for the public to take

responsibility for all housing supply problems, cooperative publicly-funded private rental housing is considered to be an appropriate housing model that can secure public interests and minimize private ones.

According to a survey for whether cooperative publicly-funded private rental housing is socially recognized, 100% of the expert groups stated that this housing model is unfamiliar to tenants and the housing market. In other words, few people are familiar with and understand cooperative housing.

## 2) Social necessity factors of cooperative publicly-funded private rental housing

[Table 9] Response rate on the social necessity

No.	Subject	Survey Details	Coop.	Dev.	Public	Ratio
2	Social Necessity	2-1. Providing affordable & Stable housing	3	5	1	82%
		2-2. Improving quality of housing with village community	3	5	0	72%
		2-3. Preventing real estate speculation	3	5	0	72%

Regarding the question of whether cooperative publicly-funded private rental housing is necessary, 82% of all experts replied that it is necessary because it provides a safe and affordable housing net for people who do not own homes, a group that is outside the reach of both the public and private sectors as shown in [Table 9].

Moreover, 72% of the expert group responded that cooperative publicly-funded private rental housing is necessary because it can improve the quality of housing despite low rents. If housing sites capable of providing housing are reduced in the future and the housing market enters a period of low growth, housing management and operations will become increasingly important. Thus, the survey participants believed that expanding cooperative publicly-funded private rental housing, with the function of village-style community housing management, is essential.

Moreover, 72% of the expert group said cooperative publicly-funded private rental housing is necessary because the basic purpose of this type of housing is not to use it for profit-seeking and real estate speculation. While most publicly-funded private rental housing in

general benefits the private construction corporation in terms of profits, cooperative publicly-funded private rental housing is operated as a collaboration between social cooperatives, with most of the profits going to the residents. Our survey participants responded that Westay Byeollae is a necessary type of housing because, as a community in which residents live together, it not only gives residents roles but also realizes the purpose of cooperative publicly-funded private rental housing by rejecting the practice of using houses as a means and method of speculation or property growth.

## 2. Business procedure

### 1) Procedural problems of cooperative publicly-funded private rental housing

In October 2016, the Korea Land and Housing Corporation launched the cooperative Westay Byeollae as part of the New Stay private business contest for two districts, Namyangju Byeollae (A1-5BL) and Goyang Jichuk (B-7BL). Following the selection of the private company Deoham Consortium as the preferred bidder in December 2016, cooperative promoters and members (25%) were recruited from January to April 2017. With approval from the Ministry of Land, Infrastructure, and Transport, the cooperative was established following the founding general meeting (May 2017). Particularly, as the structure of participants in the project was confirmed, procedures for implementing the project were also developed. The MP review was completed in February 2017 and the architectural review was completed in April 2017. Construction began in March 2018 after the project plan was approved by Namyangju-si in October 2017, and the construction was completed and ready for occupancy in May 2020. Through the process of establishing a cooperative, Westay Byeollae confirmed the composition of the project participants and proceeded to implement the project in a two-track manner.

A survey of the expert group was conducted on the procedural aspects of cooperative publicly-funded private rental housing. The percentage of experts participating in the survey is shown in [Table 10].

[Table 10] Response rate on the procedural problems

No.	Subject	Survey Details	Coop.	Dev.	Public	Ratio
3	Business Procedural Problems	3-1. Exclusion of Coop. in Business (before move-in)	3	0	2	45%
		3-2. No manual for forming, approval, admin. of Coop.	3	3	2	72%
		3-3. Absence of specific guideline after expiration of lease	3	5	3	100%

According to 45% of the experts, one of the procedural problems in the unique project process of cooperative publicly-funded private rental housing is the exclusion of cooperative. About 55% of the respondents said the procedural issue was not as serious as the lack of exit strategies and guidelines characterizing the pilot project.

Of the expert group, 72% responded that the manual for the composition of cooperative, authorization, and administration of cooperative publicly-funded private rental housing was lacking. In particular, it was difficult to obtain various licenses for cooperative publicly-funded private rental housing because there were no clear legal standards for the housing type suitable for cooperative publicly-funded private rental housing, which is not a simple residential model but aims to build a community village with social benefits and sustainability. Accordingly, they stated that the law needs to be revised regarding cooperative publicly-funded private rental housing.

General publicly-funded private rental housing is a project overseen by the public sector and private companies, completed by converting the leases to sales after eight years. Cooperative publicly-funded private rental housing is a pilot project in which members share in the project stake, and there are no specific guidelines for project completion. All expert groups responded that the lack of specific guidelines after the expiration of the project is a procedural problem for cooperative publicly-funded private rental housing. Regulations and guidelines for continuing the lease or converting to sale after the end of the eight-year lease are needed since the procedure after the end of the lease is not legally prescribed. Specific guidelines for setting the sale price should also be outlined if conversion to sale occurs.

2) Issues that arise when cooperative P.F.P. rental housing project expires

For general publicly-funded private rental housing, there are no legal requirements for continuing rental or converting to sale after the project expires. As the loan period for project expenses expires, Korea Housing and Urban Guarantee Corporation (HUG) and general businesses, which are major project participants, tend to convert to sales to general sellers with sale prices at market level, whereas REITs proceed with liquidation. As such, it is designed to make it less likely for existing rental residents to be subject to purchase opportunities.

In contrast, cooperative publicly-funded private rental housing is a project in which cooperative members who are also tenants are major actors, and, unlike general publicly-funded private rental housing projects, the project expiration process becomes more complicated. It is a structure in which the cooperative holds 30% of the business stake and can voice its opinions regarding the procedure after the eight-year lease expires.

[Table 11] shows the answers given by respondents to the expert group questionnaire regarding the problems at the end of the project.

[Table 11] Response rate on conflicts upon business expiry

No.	Subject	Survey Details	Coop.	Dev.	Public	Ratio
4	Conflict upon business expiration	4-1. Conflict between Coop. and Public (Sales vs Rent)	3	5	3	100%
		4-2. Conflict between Coop. and members (Coop. vs Individ.)	3	5	3	100%
		4-3. Conflicts over who to sell, price, and profit distribution	3	5	3	100%

First, there is a clash between public institutions (such as HUG) and cooperative with stakes in the project. Representatives from a public institution, the largest shareholder of the cooperative project, said that it is essential to convert to sale owing to the term limitations of the existing financing. They stated that they plan to follow the same business procedures as general publicly-funded private rental housing projects in eight years' time. The cooperative replied, however, that the cooperative's finance committee is gathering members' opinions regarding the process after the project's expiration, and that it plans to acquire more



REITs' assets from the cooperative and continue the lease. The developer's representative pointed out that cooperative-type housings are aimed at the village community, and social cooperative should continue to lease by acquiring 100% of REITs' assets instead of converting to individual sales.

The second conflict is between the cooperative and its members. The social cooperatives have a stake in cooperative projects and run them through the investment of their members. Upon the expiration of the project eight years later, the cooperative plans to acquire a share of the Korea Housing and Urban Guarantee Corporation, establish itself as the largest shareholder, and continue the lease. However, within the cooperative, there are members who want to acquire their own homes through individual sales under the tenant-first sales method.

Cooperative publicly-funded private rental housing began with the intention of creating sustainable living rather than home ownership. Accordingly, Westay Byeollae announced, while recruiting residents, that residents would not have sale privileges. The cooperative continues to inform its members that individual sales will not be planned. However, the group of experts who participated in the project answered that owners of shares in the cooperative would insist on individual distribution primarily for tenants, which would lead to a conflict between the cooperative's drive for continuation of the lease and members' push for individual distribution.

Lastly, the experts identified the conflict involving the subjects of sale, sale price, and dividend profit. Social cooperative is legally structured such that dividend profits are not available to members. Even if the project is converted to sale at the expiration of the eight-year project term, dividends for sale profits do not accrue to the individual members. The representative of cooperative responded that they are attempting to eliminate factors that may result in conflict when the project expires by announcing that they are not planning on carrying out tenant-first sales, and by educating the members that even if sales do occur, the social cooperative, a not-for-profit organization, cannot allocate profits to the members. According to all the expert groups, a conflict would arise over the selection of sale targets, calculation of sale prices, and dividends in the stakeholder group owing to the lack of clarity in the law on procedures after the expiration of the project.

3) Peculiarity of establishing a cooperative

The Deoham Consortium was selected as the preferred bidder in Namyangju Byeollae Westay District in December 2016. After being selected as the business operator, it first set up social cooperative, which is a prerequisite for publicly-funded private rental housing project, and then went through the approval process with the Ministry of Land, Infrastructure and Transport. Out of 491 households, 123 (25%) agreed to join a “social mixed” community village, designed according to the cooperative model. Consenters for the establishment were recruited from groups acting between public and private sectors, who demonstrated high levels of social involvement and interest, including social enterprises, cooperatives, social contributions, and social economy. A questionnaire was administered to expert groups to obtain insight into the method and process of recruiting such groups, which included those with experience in social economy.

[Table 12] shows the percentage of questions in the expert group survey related to the establishment of cooperative.

[Table 12] Response rate on specificity of establishment for cooperative

No.	Subject	Survey Details	Coop.	Dev.	Public	Ratio
5	Characteristic of Establishing Cooperative	5-1. Fairness of recruitment of social econ. experi. people	0	0	0	0%
		5-2. Necessity of social econ. experi. as promoter	3	5	0	72%
		5-3. Difficulty in terms of promoters with social econ. experi.	2	5	0	63%
		5-4. Alternatives in the absence of social econ. experience	3	0	0	27%

Having the first cooperative apartment supply method in Korea, Westay Byeollae pursues alternative residential welfare and aims for an open community, not a closed group, through stable cooperative operation, contribution to the local community, and sharing resources with the community. Article 2 of Westay Byeollae social cooperative’s articles of association stipulate specifically that the purpose of its formation should be to create a residential community that is not intended to be a for-profit pursuit for individuals and groups through autonomy and self-regulation of cooperative members. Westay Byeollae requires

that conditions such as experience in social economies, non-profit organizations, and public official status be present in the cooperative promoters to establish a systematic cooperative and to lead the cooperative in a reasonable direction. Approximately 72% of respondents to a survey conducted by an expert group said requiring promoters to have experience in social economy is necessary; however, they all disagreed with the question of whether the system of giving move-in benefits to a particular class in publicly-funded housing is fair.

Also, in a survey of Westay Byeollae's process of recruiting cooperative promoters with social economy experience, 63% of the expert groups said it was difficult to help the candidates learn about cooperative housing and convince them to join.

In response to a question regarding alternatives when the process of hiring people experienced in social enterprises and non-profits does not work out, 73% of the expert groups could not suggest any. Among cooperative representatives, 27% indicated that a specific group should be in charge of carrying out the project in line with the purpose of cooperative-type community housing. However, if the recruitment of consenters for cooperative establishment is not easy, it should be carried out via community housing cases. According to a group of experts from public institutions, there is a lack of public interest and a need to limit consenters to those who have experience in the social economy, and when recruiting publicly, detailed guidelines should be established so responsibilities and authority can be clearly defined.

### 3. Operating system

#### 1) Conflict relating to roles among stakeholders in the project

[Table 13] Response rate on role conflicts between project stakeholders

No.	Subject	Survey Details	Coop.	Dev.	Public	Ratio
6	Role conflicts between Stakeholders	6-1. Exclusion of Coop. participation in business	3	–	–	27%
		6-2. Public demands business responsibility from Coop. & Dev.	–	–	3	27%
		6-3. Coop. & Dev. ask public for procedures & guidelines	3	5	–	72%

[Table 13] shows the proportion of answers to questions on role conflicts between stakeholders. In a survey on the appropriateness of the roles of public institution, cooperative, and private developer in the project's implementation, 27% of the expert group said there were problems, whereas 73% said it was appropriate. Specifically, all of the cooperative representatives felt that each project participant's role was inappropriate. The early members of the cooperative established residents cooperative through initial investment, but the cooperative was excluded from participating to the Westay Byeollae project, which advocates a cooperative-type project, because of structural problems that prevent the cooperative from owning project shares until move-in. Amid their lack of access to information on the project progress, they reported anxiety over the project progress until the actual construction began after the purchase of the building site. A union representative suggested that cooperatives should take the lead in project participation from the onset, and that, in addition to community design participation, residents should take the lead in design intervention and village community formation. Practical content should be outsourced to expert groups, and cooperative's roles should be enhanced so that they are capable of securing practical sovereignty over the cooperative housing project. Having considered the cooperative's point of view, the developer and public institution groups have indicated that the project process should be led by a group with proven expertise and working-level personnel.

Representative of public institution said that Westay Byeollae is a pilot project for which public support should be provided until it can be established as a general housing type. He answered, however, that a generalization of cooperative publicly-funded private housing requires the business responsibility of cooperatives and private developers, the leading parties in the project, and that guidelines are necessary for such responsibilities.

The developer group and cooperative responded that there was plenty of room for authoritative interpretation because there were no licensing and cooperative establishment systems in place during the conduct of the pilot project, and that the consultation and decision-making processes with public institutions were difficult. Unlike general housing models, cooperative publicly-funded private rental housing fully reflects public interest. There is a great need for public support for land creation and financial support as well as taxes and insurance premiums (acquisition tax, transfer tax, property tax, real estate tax, security

deposit for performance, etc.). Cooperative housing serves as a community organization that conducts various activities in the surrounding local community, builds a local community, and activates and stabilizes the function of creating a social network and safety net for the local community. For this reason, respondents to the survey answered that public institutions should establish procedures for cooperative housing types, establish public offering regulations suitable for community-centered housing supply, and prepare a continuous supply of cooperative housing sites.

2) Conflict factors between initial (25%) and general cooperative members (75%)

The residents of the cooperative publicly-funded private rental housing consist of 25% of the initial project promoters as well as 75% of the people who moved in through open recruitment. Since this is a pilot project, the new housing model aims to reduce the risk of project failure by selecting at least 25% of those with experience from the social economy. [Table 14] shows the responses to the questionnaire on whether there is a conflict between the initial members (25%) who have experience in social economy and the general members.

[Table 14] Response rate on conflict factors among cooperative members

No.	Subject	Survey Details	Coop.	Dev.	Public	Ratio
7	Conflict among members	7-1. Conflict with members who do not participate in community	3	5	0	72%
		7-2. Individual asks for indiv. sale & distribution of profits	3	3	2	72%

When asked whether there was a conflict between the initial (25%) and general cooperative members (75%) who moved in through the recruitment announcement, 100% of the expert group reported that there was no apparent or collective conflict. The respondents said it was because of the lower rent compared with the market price. Another reason was that there was no requirement for 491 households to be involved in community activities. According to representatives from the union and developer, around 30% of residents actively participate in community activities through the activities of the union secretariat and community center within the complex, whereas about 70% of other residents do not participate in community

activities.

The expert group answered that conflict between residents is expected to arise when there is a conversion to sale after the end of the eight-year project term. Although the initial union member group (25%) hopes to maintain the village community without owning a house and continue the lease, 72% of the expert group responded that other union members will likely demand sales of individual units and distribution of profits. According to representatives from the union and developer, co-ownership of village community housing is the purpose and concept behind cooperative apartments; they continue to educate members about the fact that social cooperatives cannot legally pay dividends. As a preventive measure for complaints and conflict factors that might arise with the expiration of the project, clear regulations and guidelines should be developed by the public institution group.

#### 4. Project evaluation and suggestion

##### 1) Causes of low invigoration

[Table 15] Response rate on Sluggish factors for revitalization

No.	Subject	Survey Details	Coop.	Dev.	Public	Ratio
8	Activation Sluggish Factors	8-1. Lack of trust to the cooperative	3	5	3	100%
		8-2. Recognition of preference treatment for Coop. housing project	3	5	3	100%
		8-3. Complexity of participant groups	0	5	0	45%

[Table 15] shows the proportion of answers to questions on activation sluggish factors. The expert groups unanimously cited a lack of trust in cooperative as the cause. Their response was that a lack of understanding of social cooperative and the idea that unions only petition but bear no responsibility for projects impeded the development of cooperative housing. Also, the reasons that additional publicly-funded private rental housing projects could not be implemented are that there are limited private developers that can promote social cooperative housing, which is not a common housing type in Korea. Moreover, public institutions making public offers to limited private developers could generate controversy over preferential

treatment.

Especially, in contrast to project structures associated with general rental housing, cooperative housing projects are more complex because tenants participate in the process. That is, recruiting of union members, obtaining approval, and holding the union's founding general meeting are all incorporated in the process of the project; even after the project terminates, consultations with tenants must take place. Owing to such complexities, survey respondents indicated that no additional projects have been implemented. Additionally, according to the developer group, the government's real estate policy is geared toward expanding the housing supply; cooperative housing projects focusing on quality of housing were not ordered.

## 2) Measures for activation

[Table 16] Response rate on revitalization plans

No.	Subject	Survey Details	Coop.	Dev.	Public	Ratio
9	Activation Plan	9-1. Expanding public roles and support	3	5	0	72%
		9-2. Cultivation of self capabilities of cooperative	0	0	3	27%
		9-3. Expand community housing & Improve housing quality	3	5	0	72%

[Table 16] shows the proportion of answers to questions on activation plans. According to 72% of expert groups, the role and support of the Ministry of Land, Infrastructure and Transport and public institutions are crucial for revitalizing cooperative publicly-funded private rental housing. Support from the Ministry of Land, Infrastructure and Transport can include support for cooperative housing policies, eased urban planning, financial support, tax and insurance support, fostering of social economy housing operators, and public contests for publicly-funded private rental housing sites.

The public institution representative groups responded that the cooperative should cultivate its own operational and management capabilities first. Cooperatives must develop operational and management skills by developing educational programs, systems, and guidelines relating to cooperative housing. The development of the cooperative's operational and management

abilities is also crucial for preparing an independent financial support system and dealing with possible conflicts as the project progresses. Also discussed was the direction of enhancing the housing management system through public participation or public management of cooperative community housing.

Representatives of developer asserted that cooperative publicly-funded private rental housing, which builds a social safety net by improving housing quality and strengthening the community, has not been actively implemented because the government's housing policy focuses on expanding supply. After forming the social consensus on the need for improved housing quality, public support and system improvements of cooperative publicly-funded private rental housing can be achieved.

## 5. Summary of interview results

In-depth interviews with the expert group explored social consensus, project procedures, operating systems, as well as project assessment and suggestions for cooperative publicly-funded private rental housing. A summary of the main contents derived and the survey results are illustrated in [Table 17].

First, on cooperative publicly-funded private rental housing, 82% of the survey participants said that it provided affordable and safe housing and restored the community in the middle of public and private rental housing, thus making it a socially necessary form of housing. The participants, however, all responded that public awareness of the cooperative housing was very low and that the project had a poor social reputation.

Second, on project procedures, most of the groups noted the problems with the procedures of cooperative project. Particularly, the entire participant group agreed that since there are no regulations and procedures dealing with the post-expiration stage of eight-year projects, there could be problems, such as conflicts between the cooperative and public, between the cooperative and its members, and over the selection of sale targets and pricing.

Third, a survey related to the operation system of cooperative publicly-funded private rental housing revealed that the complex structure of these projects creates conflict factors that cause disputes between stakeholder groups, as well as between initial (25%) and general



members (75%).

Lastly, concerning why additional cooperative housing projects have not been pursued actively following the first implementation in December 2017, all of the participants provided the following reasons: lack of trust in cooperatives, recognition of cooperative projects as having preferential nature, complex project structures, and lack of guidelines.

[Table 17] Results of In-depth interview

Division	Subject	Survey Details	Ratio	Result
Social Consen- sus	Social Perception	1-1. Negative social perception of cooperative	72%	Negative /Low
		1-2. Low social awareness of Coop. housing	100%	
	Social Necessity	2-1. Providing affordable & Stable housing	82%	Needed
		2-2. Improving quality of housing with village community	72%	
		2-3. Prevention of real estate speculation	72%	
Business Process	Procedural Problems	3-1. Exclusion of Coop. from Business (before move-in)	45%	Exist
		3-2. Absence of manual for forming, approval, admin. of Coop.	72%	
		3-3. Absence of specific guideline after expiration of lease	100%	
	Conflict upon business expiration	4-1. Conflict between Coop. and Public (Sales vs Rent)	100%	Exist
		4-2. Conflict between Coop. and members (Coop. vs Indiv.)	100%	
		4-3. Conflicts over who to sell, price, and profit distribution	100%	
	Characteristic of Establishing Cooperative	5-1. Fairness of recruitment of social economy experienced people	0%	Exist
		5-2. Necessity of social econ, experi, for promoter application	72%	
		5-3. Difficulty in terms of promoters with social econ, experi.	63%	
		5-4. Alternatives in the absence of social econ, experience	27%	
Operate System	Role conflicts between Stakeholders	6-1. Coop. demand to reconsider roles of Coop. and developer	27%	Exist
		6-2. Public demands for business responsibility from Coop. & Dev.	27%	
		6-3. Coop. & Dev. ask the public for procedures & guidelines	72%	
	Conflict of members	7-1. Conflict with members who do not participate in community	72%	Exist
		7-2. Individual demands for indiv. sale & distribution of profits	72%	
Evaluate & Suggest	Activation Sluggish Factors	8-1. Lack of trust in the cooperative	100%	Exist
		8-2. Recognition of preference treatment for Coop. housing project	100%	
		8-3. Complexity of participant groups	45%	
	Activation Plan	9-1. Expanding public roles and support	72%	Needed
		9-2. Cultivation of self capabilities of cooperative	27%	
		9-3. Expand community housing policy & Improve housing quality	72%	

## V. Conclusion

Through interview-based research on stakeholders groups of the cooperative publicly-funded private rental housing proposed as an alternative housing for the expansion of public housing and community recovery, this study aimed to analyze the causes of the lack of progress in additional cooperative publicly-funded private rental housing. The study results are as follows.

First, while cooperative publicly-funded private rental housing is essential in providing affordable and stable housing, improving the quality of housing, and preventing real estate speculation, there is a widespread negative perception of cooperative housing as having an abnormal operational structure, calling for the need to improve such perception.

Second, the project procedures and structures of Westay Byeollae have procedural problems, such as exclusion of residents' cooperative from participating in the project and lack of guidelines. In particular, for it to be generalized as a socially acceptable housing type, public support should not generate preferential treatment for specific operators and tenants, and systems and guidelines for cooperative housing types should be supplemented to identify the project's direction after eight years of leasing.

Third, cooperative publicly-funded private rental housing has a complex structure, in which the public, private businesses, and cooperative members participate, resulting in conflicts between stakeholders with respect to each party's roles. Clear guidelines and regulations are needed to prevent this.

Lastly, the group involved in the project asserted that implementation of additional cooperative publicly-funded private rental housing, which was carried out as a pilot project, has not been active owing to the lack of trust in the union, complexity of the project structure, and concerns over preferential treatment commonly linked to cooperative housing projects.

This study derived the reasons why the cooperative publicly-funded private rental housing was not additionally implemented., based on the interviews of the stakeholder groups who are directly or indirectly involved in the cooperative publicly-funded private rental housing

project. Henceforward, it is expected that the results of this study will be helpful for the effective policy analysis and implication for the revitalization of the cooperative publicly-funded private rental housing.

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