



Business Council of
Co-operatives and Mutuels

Submission responding to the Six Cities Region Discussion Paper

26 October 2022



Thank you for the opportunity to comment on the Six Cities Region Discussion Paper. We commend the Greater Cities Commission for its commitment to quality homes that are connected, resilient, affordable, and which meet the needs of residents.

With increasing cohorts of the community locked out of the housing market, a housing strategy that aims to widen the opportunities for more people to experience housing security is becoming more important day by day.

The Business Council of Co-operatives and Mutuals is the peak body for member-owned businesses across all sectors. Eight in 10 Australians are members of a co-op or mutually owned organisation. In NSW, these organisations include NRMA, HunterNet Co-operative, HCF, Police Bank, and Common Equity NSW (517 rental houses). Co-operatives and mutuals provided essential services and affordable pricing to their members across the economy from banking, insurance and superannuation to retail, agriculture and housing.

The BCCM wishes to respond to the Region Shaper of *Housing supply diversity and affordability*.

Co-operatives provide an innovative model of housing development that provides the benefits of ownership – security and agency – but is non speculative *and* market-based. In many jurisdictions, co-operatives are a significant percentage of total housing stock and the co-operative sector is an important non-speculative developer of new housing stock.

Housing co-op residents are encouraged to be active participants in their housing management. As such they provide unique opportunities for housing provision to be inclusive of diverse groups of people and to address climate resilience. NSW has a proven track record in rental housing co-operatives through Common Equity NSW which is a Tier 2 Community Housing Provider collaborating with 31 housing co-operatives to provide secure affordable housing.

Shared equity models are another form of housing alongside rental and home ownership that should be available to people seeking affordable housing. Shared equity models address the need for people who can afford some equity but not enough to own. There are people likely to rent for a lifetime without being able to buy, including older women, low-income workers and others. They are likely to be in housing that is insecure and unaffordable. We need an alternative.

Shared equity co-ops are prevalent in places like Zurich and New York. This is where a resident contributes equity through a share in the co-operative which entitles them to long term use of the dwelling. This increases the role of private investment in housing provision through the equity invested by the resident.

In Europe or New York City where there are high proportions of renters, housing is managed as long-term rental rather than a speculative investment vehicle. These jurisdictions have large housing co-operative sectors as a vital component of housing diversity and choice, providing secure and affordable long-term housing.

In Sweden, 22% of housing stock is co-operative and is largely private market-based. The housing co-operative sector has a range of institutions focused on supporting existing co-operatives and developing new housing stock on a not-for-profit basis. In Norway, 15% of housing stock is co-operative. Co-operative federations that serve the sector put all surpluses back into new housing co-operative developments.

In Austria, 18% of housing stock is through co-operatives. Both rental and limited equity models are used. Austrian housing policy is supply-focused, with new co-operative housing construction largely driven through public financing mechanisms.



There are nascent models of co-operative and collaborative non-speculative property development emerging in Australia. One example is Property Collectives. In this model a group of future owners work together in a joint venture to develop their apartment block on a not-for-profit basis. The key benefit for participants is a 10 to 15% reduction in cost of their unit.

Property Collectives is now working with BCCM member Common Equity Housing Limited on models that will involve ongoing affordable housing and co-operative housing tenure, where Common Equity can support the underwriting of the collective by taking on a number of member collective (joint venture) allocations. With scale, this model would not only benefit individual participants but could begin to bring some market discipline to bear on for-profit developers and increase the diversity in our housing stock.

One way government could support the growth of the innovative model, working with the existing network of not-for-profit co-operative housing developers like Common Equity NSW, would be to provide guarantees through an appropriate body like NHFIC.

This is not a wholly new idea. Through the period of increasing home ownership after World War Two, governments encouraged Australians to work together in various forms of building societies to fund home purchase by providing guarantees.

We need to consider new policy levers, because those employed over the past 30 years are clearly not working for many Australians. One of those levers that is usually overlooked is encouraging innovation in housing development models.

The Australian co-operative and mutual sector is ready to work with government to achieve this.

Recommendations

The BCCM believes there is great potential to accelerate the use of co-operative housing development models in Australia for the concomitant benefit of housing market diversity and increased affordability and supply. There is already a network of co-operative development experts who can assist and support with all aspects of co-operative group cohesion and capacity building, business planning and project management, and project finance.

We would be pleased to provide further information to the Commission on the comments raised in this submission.

Yours sincerely,

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Appendix: Co-operative models of housing tenure in Australia

There are three models of co-operative housing tenure:

1. Common equity
2. Shared equity
3. Full equity

1. Common equity (rental housing co-operatives)

In a common equity housing co-operative, property is owned by the co-operative (or a secondary co-op body) on behalf of its members. Members rent homes from their co-operative and have no individual ownership interest in or relating to the property.

Co-operative rental housing has existed in many parts of Australia for decades, traditionally as part of the social/community housing sector. There are approximately 177 rental housing co-ops across Australia providing over 3,000 homes, with the majority in Victoria (2,700) and NSW (just over 500).

Common Equity Housing Limited (CEHL) formed in 1986 and is Victoria's largest Housing Association and is both a provider and developer of affordable housing. The CEHL co-operative housing program involves 103 shareholding housing co-operatives and houses in excess of 4,000 people in approximately 2,200 properties across Victoria, with an asset value in excess of \$1 billion.

Common Equity NSW (CENSW) was formed in 2009 as the peak body and the registered housing provider (Tier 2) under the National Accreditation System supporting 31 housing co-operatives across NSW.

Common Equity SA and Co-operation Housing WA are other secondary co-operative bodies that support rental housing co-operatives.

2. Shared equity

In a shared equity model, members invest a moderate amount by way of shares or other securities to access housing through a co-operative. This investment is only a proportion of the cost of the housing and weekly rent is also paid.

The aim of the model is usually to allow (and maintain) relative easy of entry while providing a greater ownership stake than rental co-operatives. To achieve this aim over the longer term, mixed equity co-operatives set rules limiting the sale value of shares or other securities by exiting members.

This model is not used in Australia but accounts for a significant share of housing stock in Switzerland and is common in other jurisdictions like the United States.



3. Full equity

In this model, investment from members covers the full cost of development and each member has 'full equity' in their share of the property. It may be by way of shares or other means. Members may also pay some fees for ongoing costs.

When exiting the co-op, a member will generally be able to transfer their property interests to a prospective member at a negotiated price.

Equity models are less prevalent in Australia but can be seen in an example like [Narara Ecovillage](#).

Further resources and housing submissions:

[About co-operative housing – purpose and characteristics](#)

[National Co-operative Housing Policy](#)

[Tasmania's successful co-operative housing model](#) – ABC News

[Nordic housing model for Australia](#) – The Conversation

[Culturally appropriate co-op housing for older Indigenous Australians](#) – ABC News

[Housing case studies](#) (bottom of webpage)

[Housing submissions](#) (bottom of webpage)