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Housing Legislative Package – Housing Australia Future Fund Bill, National Housing Supply and Affordability Council Bill, and Amendment Bill

Submission to Treasury, Australian Government

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The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make this submission to Treasury on the Housing Legislative Package – Housing Australia Future Fund Bill 2023, National Housing Supply and Affordability Council Bill 2023, and Amendment Bill 2023. We commend the Government’s various initiatives to help more Australians into affordable housing.

The BCCM is the national peak body for Australian co-operatives and mutuals. Co-operatives and mutuals provided essential services and affordable pricing to their members across the economy from banking, insurance and superannuation to retail, agriculture, health, social care and housing. Serving eight in every 10 Australians, co-operatives and mutuals are private sector, member-owned and operated corporations regulated under the harmonised state and territory Co-operatives National Law or under the Corporations Act (Mutual Companies).

With increasing cohorts of the community locked out of the housing market we welcome the Government’s focus on affordable housing as underpinning an inclusive society and economy for all Australians. Co-operatives are a structure used by people from all walks of life around the world to attain housing security with the concomitant benefits of building inclusive communities and social capital.

BCCM would like to engage with Government to explore how co-operatives can help to deliver affordability and equitable housing outcomes for Australians.

Housing Australia Future Fund Bill 2023

The BCCM believes the establishment of the Housing Australia Future Fund would support improving housing supply and affordability. The fund aims to use disbursements to support “20,000 homes to provide social housing – 4,000 of which would be allocated to women and children leaving or experiencing domestic and family violence and older women on low incomes who are at risk of homelessness” in the fund’s first five years. Housing co-operatives successfully provide an empowering form of housing for these cohorts.

Based on values of mutuality and reciprocity, the added benefits of co-operative housing include the strong community relationships and peer support for individuals and family members that the housing engenders.

Australians recognise the benefits of the model. A 2022 AHURI report *Housing aspirations of precariously housed older Australians* showed that shared equity and co-operative housing were the top two preferred models chosen by respondents to best meet the needs of “precariously housed older Australians”.

The fund also aims to use disbursement to support “10,000 affordable homes for frontline workers like police, nurses and cleaners who kept us safe during the pandemic’, in the fund’s first five years.

The limited shared equity co-operative model has been widely used in the New York City to secure permanently affordable housing for essential workers in a highly, unaffordable housing market. See: [Limited-Equity Co-op is Habitat for Humanity’s Largest Ever](#)

To include such housing models in planned initiatives, we recommend:

1. Ensuring that a portion of funds from the Housing Australia Future Fund are specifically dedicated to co-operative housing models.

2. That Housing Australia provide guarantees to co-operative housing development groups. Criteria for accessing a guarantee should, at a minimum, include:
 - The members of the group are individuals who intend to be owners (in whatever form) at completion of the development. In some cases, participation of legal persons in the group may be appropriate.
 - The group is a registered co-operative or can otherwise demonstrate it is controlled by members on a democratic basis.
 - The group has a viable business plan.

National Housing Supply and Affordability Council Bill 2023

The National Housing Supply and Affordability Council includes a research role. Therefore, we recommend that:

3. Research into shared equity models should include limited shared equity co-operatives which preserve affordability in perpetuity.

Amendments to the Housing Australia Act 2018

The BCCM notes that in Schedule 2 – Housing Australia functions, Part 1 – Main amendments, Housing Australia Act 2018 in Section 5 is the instruction to insert:

entity includes:

- (a) a company; and
- (b) a trust; and
- (c) a partnership.

The rationale in the Explanatory material states that “**Entity** is defined broadly as companies, trusts and partnerships, to include the main business structures which may participate in a Housing Australia program. “Housing co-operatives are providers of affordable housing and participate in existing NHFIC programs, for example, (state-registered) housing co-operatives provide 15% of the community housing in Victoria and 3% in total across Australia.

Co-operatives are often overlooked as a viable business model option in the development of regulations and in the operations relating to even “neutral” legislation. Noting these issues, the 2016 report of the [Senate Economics References Committee Inquiry into “cooperative, mutual and member-owned firms”](#) recommended that co-operatives be ‘**actively promoted as a possible option for serviced delivery particularly where community based initiatives are being considered.**’ Therefore, we recommend that:

4. For the avoidance of unintended exclusion of co-operative business structure, that “Co-operatives” be added to this list as a relevant business entity i.e., inserting: *(d) a co-operative.*
5. That Housing Australia consult with the BCCM to ensure financing activities are inclusive of co-operatives and the range of capital and fundraising options available to co-operatives, including

Co-operative Capital Units (CCUs) and Mutual Capital Instruments (MCIs), hybrid securities that support community ownership.

- The BCCM's [Community Investment for Australian Co-operatives](#) handbook outlines CCU options. For more information on MCIs visit [raise finance](#) on the BCCM website.

We would be pleased to provide any further information.

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Appendix 1: What are housing co-operatives?

Housing co-operatives are empowering models of tenure that can play an important role in delivering housing affordability and security for more Australians. The largest co-operative housing provider in Australia is Common Equity Housing Ltd (CEHL), a secondary co-operative in Victoria owned by 103 shareholding housing co-operatives and housing more than 4,000 people in approximately 2,200 properties, with an asset value more than \$1 billion. Housing co-operatives make up 15% of the community housing stock in Victoria, and 3% of the community housing across Australia.

The housing crisis needs innovative solutions such as shared equity co-operative models being explored by the rental co-operative sector, and the financing solutions being championed by mutual banks like Police Bank. With an enabling policy environment, these models of co-operative housing finance, development and tenure can scale, as evidenced by jurisdictions like Switzerland, Denmark and Austria where co-ops can make up 25% of housing stock.

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.

Benefits of housing co-operatives

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 the co-operative sector is an important non-speculative developer of new housing stock.

In Australia and in other jurisdictions. Co-operative housing development models can boost housing supply by:

- **Reducing costs:** An owner or user-led model of development does not require a developer profit margin for projects to proceed.
- **Shaping markets:** The growth of lower-cost co-op models of development and tenure drive competition between business models, encouraging all models to reduce costs for end users.

The member participation at the core of co-operative models also delivers additional social capital, benefiting individual members and the community.

Shared equity models are another form of housing alongside rental and home ownership that should be available to people seeking affordable housing.

Appendix 2: 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 more than 4,000 people in approximately 2,200 properties across Victoria, with an asset value more than \$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

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.

The aim of the model is usually to allow (and maintain) relative ease 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 yet 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 fees for ongoing costs.

When exiting the co-op, a member will 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](#), or Property Collectives where 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.

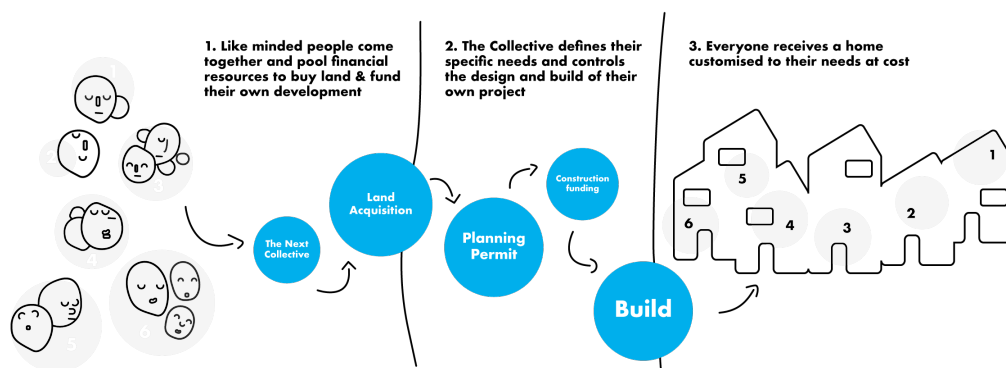
Appendix 3: Examples of co-operative and housing development

(a) Property Collectives

[Property Collectives](#) was formed in 2010 and has facilitated nine (9) collectives of future owners across Melbourne to undertake their own property development. The model follows in the footsteps of a well-established German model of self-help co-op development called Baugruppen (or Building Group, discussed below).

The key economic benefit of this approach for participants in the collective development is a 15% saving on the typical cost of a new home. This saving is achieved through reductions in marketing and transaction costs and internalisation of the developer profit margin with the future owners.

Members of a collective make democratic decisions about the design, quality and location of their development, supported by Property Collectives as a development manager. The legal form of a property collective during development is a joint venture. On completion of development, participants will have purchased a home at cost from the development and will receive title. However, there is no barrier to other forms of ownership being used post-development such as a housing co-operative.



[Image credit: [Property Collectives](#)]

Property Collectives has worked closely with mutual banks on financing solutions and is currently working with BCCM member Common Equity Housing Limited (CEHL) on models that will involve ongoing affordable housing and co-operative housing, where CEHL can support the underwriting of the collective by taking on a number of member collective (joint venture) allocations.

There is an opportunity for the Federal Government to support the development of collectives at scale if it was prepared to underwrite at cost collective developments with government guarantees.

(b) Collaborative development backed by a not-for-profit co-operative housing developer

Secondary co-operatives like Co-operation Housing WA, Common Equity NSW and Common Equity Housing Limited exist to serve existing housing co-operatives and to grow the sector by supporting potential co-operatives.

These not-for-profit co-operative property developers can deploy expertise and resources to support self-help groups through a collaborative development process and, in addition, support the group to adopt an ongoing co-operative housing arrangement.

Co-operation Housing WA is currently supporting the development of [Kyloring Housing Co-operative](#), an innovative co-housing ecovillage. The design process is collaborative and will end in an ongoing co-operative housing arrangement for participants.

(c) School building works terminating co-operatives

There is a long tradition of communities using co-operatives as the preferred vehicle to fund a range of investments. One sphere where this continues to occur is in schools in Victoria.

Historically, as much as 30% of housing construction in Australia was financed through co-operatives backed by government guarantees.¹

Where a government school seeks to build a new building like a gym or arts centre, it may finance this project through a co-operative. The government provides a guarantee to support the co-operative. When the debts are paid off, the co-operative is wound up.

The BCCM estimates that since 1960, 286 school co-operatives have been registered in Victoria, with 21 co-operatives currently operating.

Government guarantees could be used in a similar way to support co-operative housing development models and would make them accessible to a wider number of Australians.

1. International examples

a) German Baugruppen

From the 1990s, Baugruppen (building groups) started to form in Berlin to undertake their own housing developments, rather than wait on third party development firms to develop the type of housing in the desired location and at a reasonable cost. CoHousing Berlin lists [nearly 250 Baugruppe projects](#) within the city.

Groups are democratic and, at the end of development, usually provide participants with individual ownership, although a range of tenure forms are used. Often a culture of collaboration and community is retained beyond the project when residents move into the new development.

¹ Previously some state governments have similarly promoted co-operative societies for home building finance. See [articulating value in cooperative housing 20190125.pdf \(westernsydney.edu.au\)](#) at page 53-4.

Through managing the development process, Baugruppen save around 20% of the costs compared to an externally developed project.

Policy settings that have supported Baugruppen include preferential treatment in accessing government land and funding for development organisations that assist groups.

b) French habitat participatif

From the 1960s onwards a tradition of [habitat participatif](#) (participatory housing) has developed in France, in which groups of citizens democratically design and manage their housing.

The French Government defined participatory housing and introduced two bespoke legal forms for participatory housing projects as part of a broader set of reforms to housing legislation [in 2014](#).

As of [2021](#), there were more than 900 participatory housing projects in France, of which 270 are completed (providing 3,000 homes). Growth has been 18% year-on-year over 10 years.

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