



04 July 2023

Inquiry into the rental and housing affordability crisis in Victoria

Submission to Victorian Legislative Council Legal and Social Issues Committee

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make this submission to the Victorian Parliament Legal and Social Issues Committee inquiry into the rental and housing affordability crisis in Victoria. We commend the Parliament's focus on addressing the need for affordable housing in Victoria.

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 BCCM is the peak cross-sector body representing co-operatives and mutuals in all industry sectors of the Victorian economy. Eight in 10 Victorians are members of at least one co-op or mutually owned organisation. In Victoria, these organisations include RACV, Bank Australia, Tyrepower, Australian Unity, TAFCO and Common Equity Housing Limited (CEHL). 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.

Housing co-operatives are an innovative model of tenure that can bring housing security and agency to more Victorians. Co-ops remove the incentive to profiteer from housing, leading to long term housing affordability.

Housing co-operatives offer an alternative to private home ownership, the private rental market and public housing. They are democratically controlled by their members and offer greater housing security, better building quality and members report higher levels of wellbeing. A thriving housing co-operative movement in Victoria maintains much needed diversity and choice in the Australian housing system.

In many jurisdictions, particularly Europe and North America, housing co-operatives are a significant percentage of total housing, and the co-operative movement is an important developer of new housing.

In Sweden, 22 per cent of housing stock is co-operative, where a range of institutions focus on supporting existing co-operatives and developing new housing stock on a not-for-profit basis. In Norway, 15 per cent of housing stock is co-operative and co-operative housing federations return all surpluses back into new housing co-operative developments. In Austria, 18 per cent of housing stock is through co-operatives, where both rental and limited equity models are used.

Australia's co-op housing sector is small but shows opportunities for growth. Victoria has a proven track record in rental housing co-operatives through Common Equity Housing Ltd (CEHL), which is a Registered Housing Association collaborating with 103 housing co-operatives to provide secure affordable housing, and housing co-operatives such as United Housing Co-operative and Northern Geelong Rental Housing Co-operative, which are Registered Housing Providers providing homes to 137 and 60 member households respectively. Currently housing co-operatives in Victoria make up over 3% of social housing, which is higher than the national average of 1%.

The BCCM provides leadership to the Australian housing co-operative sector as the Australian member of Cooperative Housing International, the housing division of the International Cooperative Alliance. The BCCM will be leading a study tour to Europe in early 2024 to learn from other jurisdictions which are more advanced in their use of rental and equity housing co-operative models.

The BCCM also provides Secretariat support to the Australian Co-operative Housing Alliance (ACHA). ACHA has been established to advocate for the benefits of the housing co-operative model and the growth and diversification of the social housing sector in Australia. It is an alliance of Registered Community Housing Providers that deliver co-operative housing, including Common Equity Housing Ltd (CEHL) Victoria, Co-operation Housing (WA), Common Equity NSW, Common Equity SA and United Housing Co-operative (as a representative of Victorian independent rental co-operatives).

With an increasing number of Victorians being impacted by either their own or someone else's housing insecurity it is time to look at models which create permanent affordability. The BCCM and ACHA would like to engage with the Victorian Government to explore how co-operatives can help provide more secure, affordable housing in Victoria.

Response to the Terms of Reference

1. The factors leading to low availability and high costs of rental properties.

The capital gains accrued on residential housing and the favourable tax treatment of negative gearing makes multiple property ownership attractive as an investment. This creates demand and increases housing prices, resulting in a market failure for the provision of affordable housing. Many of the mechanisms to control this lie outside of state government.

Australia lacks diversity of housing models like co-operatives that can act as a counterweight to profit-driven models of housing provision. State government does have control of policy levers that can promote diversification of housing provision.

The BCCM and ACHA recommend that 10% of social housing in Victoria be co-operative housing.

2. Options to address insecurity, availability and affordability issues facing Victorian renters.

State governments should prioritise investing in housing that will be permanently affordable, rather than subsidising housing that will return to market value and potentially contribute to more investor housing.

Housing co-operatives are permanently affordable because the houses are owned by the co-operative and its members and operated on an at-cost basis. The purpose of the co-operative is to provide affordable housing on a sustainable basis, there is no incentive to sell houses for the capital gains or to rent for the highest possible price.

3. The adequacy of regulation with regards to standards and conditions of rental housing.

The BCCM recommends that Community Housing regulation is reviewed in conjunction with the co-operative housing sector to ensure criteria adequately captures the strengths and benefits of the rental housing co-operative model to ensure no disadvantage or unintended bias when assessing housing delivery performance.

The International Labor Organization [Recommendation 193 on the Promotion of Cooperatives](#) recommends that regulation of co-operatives in all sectors is consistent with the international co-operative principles. This approach should be reflected in relation to rental housing co-operatives that fall under Community Housing regulation.

4. The adequacy of the rental system and its enforcement.

Private rental is not a form of housing preferred by renters. Rental housing needs to be affordable, stable and provide security of tenure and a healthy degree of agency over their own life for residents. Rental housing co-operatives provide all of this, **The BCCM recommends that rental housing co-operatives be a preferred model for investment in rental housing, for both social and affordable housing sectors.**

5. The impact of short-stay accommodation.

Incentives and disincentives should be in place to maintain whole houses as long-term rental until the housing crisis is over.

6. The barriers to first home ownership and the impact this has on rental stock.

Tax incentives encouraging multiple home ownership as a wealth building strategy create barriers to entry to home ownership.

The BCCM recommends that all Victorian Government programs which seek to support residents into home ownership should include the option of co-operative ownership. Where the government enters into shared equity with a homeowner, the program should include the option of shared equity with co-operative ownership.

Shared equity models of housing co-operatives address the need for people who can afford some equity but not enough to own. These 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.

A shared equity housing co-operative gives residents a say in the management of their housing, and the security and affordability of home ownership. Shared equity co-ops are prevalent in places like Zurich and New York. In a shared equity housing co-operative, 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. Common Equity Housing Ltd has the knowledge and expertise to develop and support shared equity housing co-operatives.

7. The experience of, and impacts of all of the above on, renters and property owners.

Lack of affordable and secure housing negatively impacts people's wellbeing, livelihood, employment, educational outcomes and the broader community. This can create intergenerational disadvantage and long-term negative impacts on society.

Presented with seven alternative housing options, lower income older Australians expressed a clear preference for shared equity home ownership and co-operative housing (2022 AHURI *Housing aspirations of precariously housed older Australians*).

8. Any other related matters.

Co-operative housing delivers affordable housing that supports renter agency, housing affordability, secure and sustainable tenancies and the development of a supportive co-operative community.

Housing co-operatives nurture community connectedness and diversity, building and strengthening communities through tenant member participation. Tenant membership of housing co-operatives provides meaningful opportunities for community participation, enabling low- and middle-income residents to contribute to their own cooperative and develop skills which they in turn contribute to the broader community. This productive and positive civic skill development is a key contributor to good urban and social planning outcomes.

Appendix

More information can be found in:

2023 Response to the Tasmanian Housing Strategy Exposure Draft

<https://bccm.coop/wp-content/uploads/2023/07/BCCM-2023-Response-to-Tasmanian-Housing-Strategy-Exposure-Draft.pdf>

2023 Inquiry into South Australian housing availability

<https://bccm.coop/wp-content/uploads/2023/05/BCCM-2023-Inquiry-into-SA-housing-availability.pdf>

2023 Housing Legislative Package submission

<https://bccm.coop/wp-content/uploads/2023/01/BCCM-Submission-responding-to-the-Housing-Legislative-Package.pdf>

2022 Six Cities Regional Discussion Paper Submission

<https://bccm.coop/wp-content/uploads/2022/10/Six-Cities-Region-Discussion-Paper-Submission-BCCM.pdf>

About the BCCM

The BCCM is the national industry peak body for co-operatives and mutuals, working with governments, regulators and policymakers to ensure the Australian economic landscape is fully able to benefit from a competitive co-op and mutual movement.

Through its member co-ops and mutuals, the BCCM represents 11 million individuals and 160,000 businesses.

The BCCM has supported new co-operatives and mutuals to form in a range of sectors and is a member of the International Co-operative Alliance (ICA) with access to world-wide networks.

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