



20 October 2023

Creating a National Housing and Homelessness Plan

Submission to the Department of Social Services

Statement of Expertise

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make this submission to the development of the National Housing and Homelessness Plan. 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 ten 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 and mutuals can help to deliver affordability and equitable housing outcomes for Australians.

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The Business Council of Co-operatives and Mutuals (BCCM) acknowledges Traditional Owners of Country throughout Australia and recognises their continuing connection to lands, waters and communities. We respect the important role that First Nations community-controlled services and businesses play in the co-operative sector. We pay our respects to Aboriginal and Torres Strait Islander cultures; to Elders past and present and to any First Nations peoples reading this document.

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Executive summary

There are fundamental issues with the housing market that are creating barriers to housing affordability. Business as usual, that is, increasing supply of market housing, does not correlate with increased affordability.

Community-led housing unlocks affordable and sustainable forms of supply through alternative models that diversify affordable housing supply. Diverse forms of stable tenure include housing co-operatives which range from social housing to affordable rental to ownership.

Co-operative housing models complement a range of strategies to increase affordability including limited equity development, shared equity, built-to-rent-to-own and resident-led building groups. Co-operative housing is a preferred model of housing for older Australians and already implemented successfully for students, single parents, Aboriginal and Torres Strait Islander peoples, key workers, older Australians and people living with disability.

For new models to scale up and make structural impacts to our housing system, leadership from government in financing is needed to support demonstration projects and educate private capital.

We advocate for co-operative housing across the spectrum of housing affordability. This includes models that structurally deliver more affordable outcomes without significant subsidy.

Recommendations

Social housing

1. Aim for co-operative housing as at least ten percent of social housing stock by 2033, achieving sustainability in each jurisdiction, by identifying and removing barriers.
2. Re-instate a stream of funding dedicated to rental housing co-operatives, as was the case in the 1990s when most of the existing housing co-operatives were formed.
3. Ensure that at least ten percent of funds such as the Social Housing Accelerator and the Housing Australia Future Fund and the expanded National Housing Infrastructure Facility go to increasing the co-operative housing sector. Housing Accord

Affordable housing

4. Work with the co-operative movement to invest in a revolving impact equity fund for start-up of Limited Equity Housing Co-operatives.
5. Provide a loan guarantee for Limited Equity Housing Co-operatives so that projects can access favorably priced debt funding through mutual finance or the private market.
6. Grant an exemption on input GST for Limited Equity Housing Co-operatives.
7. Work with the co-operative peaks to fund education and advisory resources to assist in the development of Limited Equity Housing Co-operatives.

New markets for housing

8. Specific examples of where government should research and lead the development of new financial models and scalability of existing models:
 - Long-term patient loans to Limited Equity Housing Co-operatives
 - A mortgage product for home-owners to purchase a share in a Limited Equity Housing Co-operative
 - Financing products targeted to support medium density infill housing (circa 20-40 dwellings)
 - Shared-Equity scheme eligibility for resident-led building group communities
9. Government support for shared equity and co-investment in housing, such as the Help to Buy scheme, should be inclusive of co-operative ownership and Building Groups.
10. Government measures such as guarantees for first home buyers or equity contributions for first home buyers must be inclusive of housing co-operatives as a form of ownership.

Planning and land acquisition

11. Enable community-led housing and reduce speculation by creating greater certainty in the planning system through fixing density and building envelope controls.
12. Introduce inclusionary zoning to support community-led housing models to create a more even playing field for innovative models.
13. Create a definition of community-led housing to enable these models to be incentivised through the planning scheme.
14. Preference community-led housing through the Expression of Interest process when governments are providing land for sale or long-term ground lease.

Housing in a Climate Emergency

15. Encourage the uptake of energy efficient housing modifications and design and improve energy efficiency of rental properties.
16. Update disaster recovery protocols to encompass the resilience potential of community-led and cooperative housing innovation.
17. Utilise community-led housing projects and cohousing design principles to improve climate mitigation and adaptation practices within the design, planning, and operations of housing and in rebuilding after a climate disaster

Introduction

The right to adequate housing is recognized in the UN Declaration on Human Rights, and includes security of tenure, affordability and a location that has adequate access to employment opportunities, health care services, school, childcare and other social facilities.¹ A housing strategy that aims to widen the opportunities for more people to experience housing security is becoming more important day by day.

Barriers to housing affordability²

Increasing supply of market housing does not correlate with increased affordability

- Demand is creating demand, not supply
- Natural limits to oversupply prevent increased affordability
- Development approvals are not a good measure of supply
- Market investment does not create affordability

Housing affordability cannot be reduced to purely a supply problem

In the Australian housing market policy settings such as negative gearing and other favourable tax conditions promote demand without addressing supply, so demand is generating demand.

The economic theory (derived from less complex markets) that increasing supply will decrease costs does not hold true for the housing market. This is demonstrated in the following case study:

“Between 2010/2011 and 2013/2014 when Sydney dwelling completions doubled from 14,000 to 28,000 dwellings, house prices went up by 21%.”³

Increasing the quantity of new housing results in more supply at the maximum price point within the market. Where older dwelling stock suppresses values, each new dwelling released to the market pushes average prices upwards. We cannot increase affordability by increasing supply alone.

Market limits to supply

Developers of housing wait until market conditions are favourable to secure finance, build and sell to minimise risk and ensure the most profitable outcome. These development delays effectively limit supply, either through delaying commencement of a total development, or carefully staging small sub-components of a larger development to artificially control scarcity values and maintain stable returns. The direct result of these factors is neatly demonstrated below:

¹ OHCHR Fact Sheet on the right to adequate housing <https://www.ohchr.org/en/special-procedures/sr-housing/human-right-adequate-housing>

² This section on Housing Affordability draws on MSG & Andy Fergus 2021 Submission to the Parliamentary Inquiry Housing affordability and supply in Australia.

³ Gurran, N. and Phibbs, P. 2014. Going bananas over affordable housing. The Conversation <https://theconversation.com/going-bananas-over-affordable-housing-30029>

“Over 200,000 housing lots, or 13 years of new supply, are held by the eight largest housing development companies, and eight years of these landbanks are held in housing subdivisions that are approved and already for sale.”⁴

Supply is not driven by land availability or planning permits, but by the fundamental need to achieve reasonable expectations of return on investment.

“The amount of zoned supply in a region is unrelated to the rate of new housing supply, and...housing developers routinely delay housing production to capitalise on market cycles.”⁵

The damaging effects of speculation in housing development

Trading land for speculative profit outstrips the profit of normal urban development. A speculative profit on urban-ready land could be 300% or more as opposed to 15–25%. Specialist investors now seek out only speculative opportunities. The development risks associated both with off the plan sales, construction and settlement are all avoided in this model.

Planning permits obtained for taller, higher-density proposals, can be cashed in creating a significant capital gain. This creates a trade in permits as a form of commodity, but no supply is generated. Trading planning permits incentivises large-scale development over modest, incremental development. This scale requires a high number of pre-sales before construction finance can be secured. Where many large-scale developments are approved in close proximity within a compressed time frame, the market becomes saturated, and pre-sales become unachievable. This can stall the overall rate of supply as projects struggle to commence building works, often leaving large areas in a state of blight.

The damaging effects of housing as an instrument for financial accumulation

When housing is ‘financialised’ or ‘hyper-commodified’, that is, treated primarily as a financial asset or instrument for financial accumulation, it loses its place as a social good, or infrastructure for living.⁶ This impacts negatively on people reliant on rental housing, in addition it is a lost opportunity economically. Profit produced through acquiring capital gain on property is a passive, unproductive investment. Investment capability is better put into activities that are productive, for example building new homes or producing solar panels.

⁴ Murray, C.K. 2020. Time is money: How landbanking constrains housing supply. *Journal of Housing Economics*. Volume 49. 1051–1377. <https://doi.org/10.1016/j.jhe.2020.101708>

⁵ Gurran, N. and Phibbs, P. 2014. Going bananas over affordable housing. *The Conversation* <https://theconversation.com/going-bananas-over-affordable-housing-30029>

⁶ Anna Minton 2023 ‘New York is breaking free of Airbnb’s clutches’ *The Guardian*

“Under hyper-commodification, all of the material and legal structures of housing – buildings, land, labor, property rights – are turned into commodities. In the process the capacity of a building to function as a home becomes secondary. What matters is now a building functions in the circuits of economic accumulation.”⁷

Housing affordability

Community-led housing unlocks affordable and sustainable forms of supply:

- Affordable rental housing offers a significant opportunity to improve social outcomes
- Alternative housing models are a viable method to diversify affordable housing supply
- The security of ownership needs to be extended to more households
- Community-led housing extends the models of affordable housing available.

These models have been recognised at scale in other jurisdictions as a pathway to increasing the supply of affordable housing in perpetuity.

Rental gap

Private investment cannot deliver housing for the more vulnerable members of the community, due to the ‘rental gap’ between the cost of supplying new housing and the rent paying capability of the residents. Affordable housing depends on stable government investment. Rather than perceiving this investment as ‘subsidy’ or an economic burden, it should be understood in the broader budgetary context of savings to public health and welfare expenditure.

“For every \$1 invested in affordable housing, the community benefits by \$3 due to worker retention, educational benefits, enhanced human capital, health cost savings, reduced family violence, and reduced crime. It is an investment in both essential infrastructure and people that compounds over the long term.”⁸

⁷ Madden, David and Marcuse, Peter 2016 *In Defense of Housing*

⁸ City of Melbourne. 2020. Affordable Housing Strategy. <https://www.melbourne.vic.gov.au/sitecollectiondocuments/affordable-housing-strategy.pdf>

The role of emerging diverse affordable housing models

The debate around housing affordability has problematically focused on ownership, in part due to the historical ideal of the 'Australian Dream'. A declining proportion of Australians are now owning, and this trend continues significantly downward; consequently, alternative models of housing security must become a key area of focus in any discussion of housing affordability. See chart below from Australian Institute of Health and Wellbeing showing the decrease in home ownership from 1971–2016 across various age cohorts.

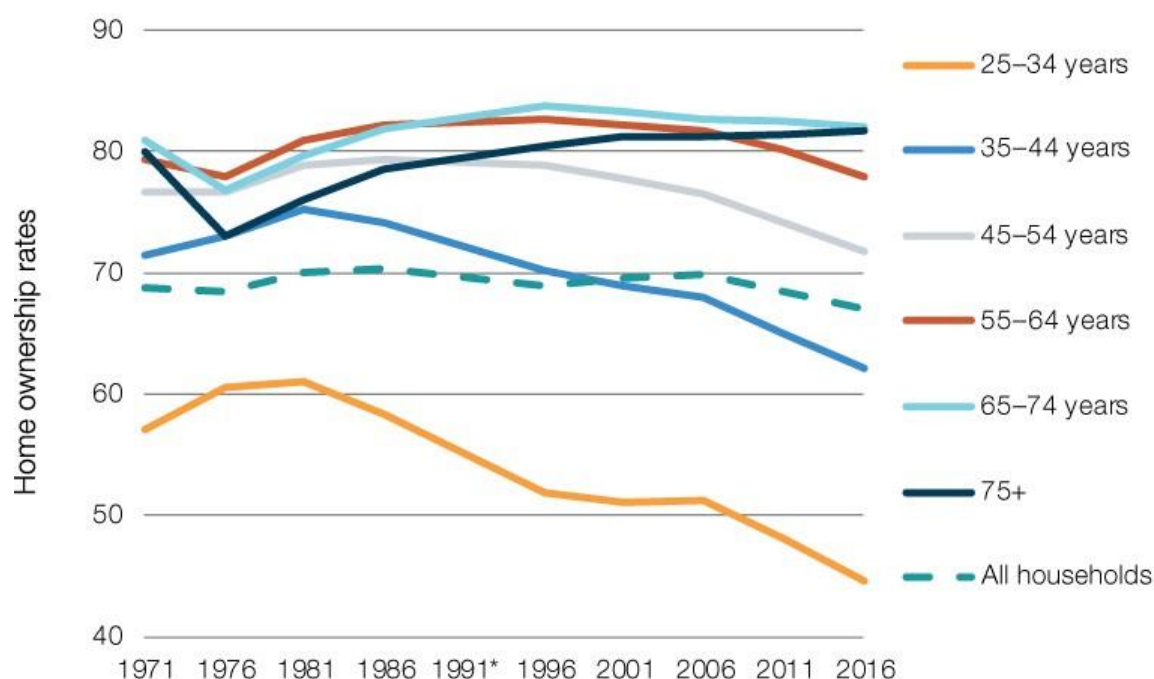


Figure 1: Home Ownership Rates

Source: Based on ABS Census data, 1971 to 2016; AIHW analysis of customised report. * Data for 1991 interpolated using linear interpolation. Data excludes 'not stated'.

Traditional ownership is becoming less achievable for future generations. The preferential treatment given to existing home-owners means that home ownership is becoming more concentrated. Given that ownership by investors seeking financial accumulation from housing ownership is contributing to increasing costs⁹, growing the stock of housing that is not investor-owned is vital. Social housing requires a high level of government investment. What is missing is housing where residents can afford to contribute to the cost of the housing, reducing government investment in affordability. This contribution can be through labour, for example, managing the housing or the development (sweat equity), or through capital by part ownership (financial equity). Residents can pay off a mortgage on the property over time and have ownership, rather than having this done on their behalf by an investor.

A robust housing system should enable Australians to transition through multiple housing types over their lifetime, the goal being to ensure as many Australians as possible are living in low-cost, secure accommodation by the time they retire. Low-cost accommodation should range from full ownership

⁹ Madden, David and Marcuse, Peter 2016 *In Defense of Housing*

(debt free) to other types of low-cost housing models, where any housing cost outlay is affordable, in relation to the household budget.

The current housing crisis is proof that transitioning through the housing system has become impossible for many individuals and families. Social housing participants cannot afford to move into the private rental market, households in the private rental market cannot afford to move into full homeownership and due to stamp duty home-owners cannot afford to downsize. This issue is compounded by a lack of new supply but is also a function of price growth exceeding incomes, a lack of innovative financing structures for new forms of 'ownership' and a lack of a supply of housing that is created as social infrastructure rather than an investment vehicle.

This inability to transition is creating severe bottlenecks within the social housing system, placing immense pressure on government budgets, and increasing the risk of homelessness for at-need cohorts.

Ownership can take many forms

Ownership of housing provides a range of benefits that are not available when someone else owns your home. These include:

- Agency over your living space, that is, a feeling of ownership or control
- The stewardship of the housing asset
- The right to not be removed from your home, that is, secure tenure
- Future proofing for retirement planning and inheritance. The pension and superannuation are predicated on ownership

Capital gains profit is a benefit of owning housing but is also a driver of increasing housing unaffordability.

Other forms of housing ownership exist, which provide the agency and security of tenure of ownership but do not contribute to, or contribute less to, the increase in the cost of housing driven by profit-seeking speculative investment.

Plurality of forms of ownership provides more opportunity to align the form of ownership with the appropriate business model, promotes more resilience to shocks within the sector and wider economy, allows investors and savers more avenues in which to save and invest and gives consumers more choice.¹⁰

Plurality of ownership in housing means growing a class of housing that exists to house people rather than just return a surplus to investors. The people with the most to gain from tenure-secure, affordable housing are the people who live in it. It makes sense to grow a form of housing that harnesses that motivation through sweat and financial equity to reduce the cost to government of supporting affordable housing. This is community-led housing.

¹⁰ The Ownership Commission 2012 Plurality, Stewardship and Engagement <https://www.mutuo.coop/wp-content/uploads/2012/03/Ownership-commission-2012.pdf>

Community-led housing – the ‘missing middle’

Community-led housing is housing that is developed and/or managed by local people or residents.¹¹ It utilises resident financial equity and/or ‘sweat equity’ thereby reducing any government subsidy required to achieve quality, affordable housing.

Community-led housing includes:

- Co-operative rental housing
- Limited Equity Housing Co-operatives
- Market-rate housing co-operatives
- Community Land Trusts
- Resident-led building groups

In community-led housing residents can be involved in the development of their housing, the ongoing operation of the housing, or both.

Glossary of terms used in this submission

Co-operative housing

Co-operative housing includes rental models and models in which members have a stake in the cooperative’s equity; models with a large degree of self-management and others that are highly professionalized; models that are very closely aligned with the social and public housing sectors and others that are completely autonomous.¹²

Co-operative rental housing

Co-operative rental housing is a community-led form of social housing where the housing is run by the people who live in it. Co-operatives provide community housing in the way that people want to live, they can ‘rent like they own’.

Limited Equity Housing Co-operatives

Limited Equity Housing Co-operatives are a form of community-led housing where the residents invest equity in the co-operative that owns the home they live in, making them home-owners. The purpose of the investment is to provide affordable housing not a speculative investment. If the resident moves out they withdraw their equity with little to no financial return above what they invested, maintaining the affordability to buy in for the next member.

Market rate housing co-operatives

Market-rate housing co-operatives allow members to buy and sell shares at whatever rate the market will bear. They offer democratic control of the housing and often provide benefits through opportunities for collective purchasing.

¹¹ Crabtree-Hayes, Louise 2023 ‘Establishing a glossary of community-led housing’ *International Journal of Housing Policy*

¹² Baiges, Carles et al 2019 *International policies to promote cooperative housing* La Dinamo Fundacio

The table below illustrates the different way equity is handled in the different housing co-operative types.

	COMMON EQUITY	SHARED EQUITY	FULL EQUITY
Ownership	100% with co-op	Split between member and co-op	100% with members
Member equity on sale of share: Limited (i.e. not-for-profit)	N/A	Limit can range from no capital gain or CPI to a percentage of capital gain.	
Member equity on sale of share: Market rate (i.e. for profit)	N/A	Whatever rate the market will bear	

Figure 2: Different equity types of co-operatives

Community Land Trusts

Community land trusts (CLTs) are private non-profit organisations that focus on the dual purposes of perpetual affordability and community benefit. Their underlying principles are to hold land out of the market as a community responsibility to be stewarded and to channel a strong community voice into a range of appropriate housing options and other activities.¹³

Resident-led building groups

In building groups, future residents collaborate to co-develop their future homes and as such are actively engaged in the design, construction, and sometimes shared operation of their homes. Building groups frequently operate like co-operatives and provide residents with many benefits.

Shared equity co-ownership

Shared equity schemes enable a home buyer to share the capital cost of purchasing a home with an equity partner. While homebuyers have reduced equity in the property, shared equity enables homebuyers to access home ownership sooner, with a lower deposit and smaller loan, reducing overall housing costs. HOPE Housing is a not-for-profit model that has developed a shared equity scheme that focuses on housing essential workers close to where they work..¹⁴

¹³ Crabtree, L., Phibbs, P., Milligan, V., & Blunden, H. (2012). Principles and practices of an affordable housing community land trust model [Research paper]. Australian Housing and Urban Research Institute.

¹⁴ <https://hopehousing.com.au/for-essential-workers/>

As seen below, community-led and co-operative housing solutions create more opportunities to transition through forms of housing and break-up the rental housing trap replacing it with secure tenure.

	CRISIS HOUSING	SOCIAL HOUSING	AFFORDABLE RENTAL	AFFORDABLE OWNERSHIP	MARKET RENTAL	MARKET OWNERSHIP
Mortgages and other forms of property acquisition						●
Tenancy lease					●	
Shared equity home-ownership				●		
Building groups				●		
Market rate co-operative				●		
Limited Equity Housing Co-operatives			●	●		
Community Land Trusts		●	●	●		
Rental housing co-operatives		●	●			
Other affordable housing providers			●			
Housing associations		●	●			
Supported housing		●	●			
Public housing		●				
Crisis housing providers	●					

Figure 3: Community-led Housing in the housing spectrum

Housing across the entire spectrum matters. What we are missing is diversity and options. On the one hand we have social housing which is highly subsidised with restrictive eligibility criteria and on the other market rental and market ownership and very little in between.

A more diverse continuum of choices in housing creates more options for people to be housed securely and affordably, according to their circumstances.

Through the growth and acceptance of these alternative ownership models, society will see a naturally occurring second tier market for ownership fractions which will improve the affordability of housing linked to ownership. Meaning that the support of co-operative ownership models mentioned above will address housing accessibility at a system level as well as housing affordability in perpetuity.

Community led housing solutions to housing costs, home ownership and renting

A balanced housing market has a diverse range of forms of stable tenure

- A strong social housing system is diverse and includes housing co-operatives.
- Stable tenure with affordable options between social housing and full ownership is vital
- Funding subsidies should incentivise a range of affordability across the market.

A key driver of Australia's acute housing affordability crisis is over-reliance on just two housing options: private home ownership and private renting.

We urgently need a diversification of housing models to meet the full range of housing needs and aspirations in the Australian community including key workers, young people, people with a disability, older Australians and Aboriginal people and Torres Strait Islanders.

“The growing number of people who are in the ‘missing middle’ between social housing and home ownership are disadvantaged by a lack of intermediate tenure options in Australia. Renting is expensive and precarious.”¹⁵

A significant body of research locally and internationally has established the benefits of community-led models over other corporatised or government managed housing models. This can include greater affordability benefits for residents, more tailored homes to respond to complex needs, the establishment of higher resilience and social capital outcomes which accrue to the building and immediate neighbourhood, and consistently high sustainability outcomes.

This research base has led to active government support in the form of the Resilient Melbourne 100 Cities program, where community-led housing models in Melbourne are being promoted to enhance community resilience to environmental or economic shock.

A community-led approach to housing (including models such as cohousing) can assist in achieving positive ecological outcomes and enhancing climate change adaptation while tackling social isolation.^{16,17}

¹⁵ Apps, Ann 2021 Housing the ‘missing middle’ — The Limited Equity Housing Co-operative as an intermediate tenure solution for Australia's growing renter class *Australian Property Law Journal*

¹⁶ <https://www.coolingthecommons.com/>

¹⁷ Kafeety et al 2020 ‘Social connection as a public health adaption to extreme heat events’ *Canadian Journal of Public Health* <https://link.springer.com/article/10.17269/s41997-020-00309-2>

Community-led and cooperative approaches to housing embed shared spaces and community connection as key component of design and operational governance. These projects can be used as pilots to demonstrate best practice climate mitigation and adaptation.

The community-led and cooperative housing sector preference design, construction and operational best-practice because they are holding and occupying the assets for the long-term. They are a natural ally in developing new markets for sustainable material and modes of production.

It is important to look at the impact of solutions on the broader housing market. The following options diversify the types of housing available and the type of tenure available and have a longer-term impact on stabilising affordability in the market. Many create a hybrid tenure between renting and owning, enabling residents to 'rent like they own' where the residents are co-owners of the housing, and also contribute to ongoing costs of providing the housing with a payment that is like rent.

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 sub-market-priced.

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. These models are intentional, deliberative and not speculative.
- 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.

In essence, co-operative housing is distinct to community housing and the private sector because of the collective ownership structure, the in-built opportunity for residents to influence housing outcomes, as well as embedded opportunities for individual growth through capacity building. It provides a pathway to amplify the return on investment to the taxpayer. It is crucial to acknowledge that co-operative housing is different and distinct from other forms of community housing.¹⁸

Every state in Australia has a co-operative housing sector. A large part of these sectors were developed through an Australian government program in the 1990s which tied state housing funds to rental co-operative housing development. This vision to establish a rental housing co-operative sector in Australia as an option for renters is unfinished business. Many states need the sector to grow to a sustainable level. Currently only Victoria has achieved this, which is a credit to the housing policy in that state. Victoria has shown that when the sector is able to grow, co-op surplus is reinvested in further growth of the housing stock. The table below provides further information on the size of each sector. For the small sectors there is little to no surplus to reinvest in growth.

¹⁸ Griffiths, David 2016 Competition and Co-operative Housing, Response to Productivity Commission Report Introducing Competition and Informed User Choice into Human Services

State	Private equity stock	Aboriginal rental stock	Common equity rental stock	Other rental stock	Total
ACT	72			39	111
NSW	623	94	517	475	1,709
NT					0
QLD	112	427		10	549
SA	39		175	105	319
TAS	26			81	107
VIC	145	116	2101	562	2,924
WA	6		63	42	111
Australia	1,023	637	2,856	1,314	5,830

Figure 4: Distribution of housing co-operatives in Australia (BCCM 2022 data)¹⁹

As shown in the table, the majority of the co-operative housing (82 per cent) are rental co-operative housing. Nearly 60 per cent of these are part of the common equity sector, the largest co-operative housing sector in Australia. The common equity sector is made up of Registered Community Housing Provider companies owned by a state based group of individual housing co-operatives where the common equity company owns the housing on behalf of the co-operatives. This model exists in Victoria, NSW, SA and WA. Independent rental co-operatives not part of Common Equities make up 27 per cent of the rental housing co-op sector. The remaining 13 per cent is rental housing owned or managed by

¹⁹ Data compiled by BCCM, 2022. Figures for Aboriginal and Torres Strait Islander co-operative housing and private equity housing co-operatives incomplete and subject to change.

Aboriginal co-operatives. There is also an Aboriginal housing sector in NT that is managed in a co-op-like way but not legally constituted as co-operatives.

The common equity companies and larger housing co-operatives are successful developers of co-operative housing with construction taking place or sites ready for construction in Vic, NSW, SA and WA.

There is a privately owned co-op sector with just over 1,000 homes currently identified. These are largely rural land sharing developments with only a small number in cities.

Co-operatives housing provision internationally

In many jurisdictions the co-operative sector is an important developer of new housing stock.

In Denmark the rental co-operative sector houses one-fifth of the nation’s population and is growing. Sweden’s housing co-operatives amount to approximately one million dwellings, or 22 per cent of the total housing stock, while in Norway this figure is 15 per cent nation-wide.²⁰ These are sophisticated housing systems that have developed under government stewardship over time.

Equivalent rates in Australia would mean between 1.6 million and 2.4 million households living in co-operative housing.

In New York City, where living is largely in apartments, 75 per cent of apartments are co-operatives and in Washington DC 24 per cent of housing is in co-operatives.

Social housing

Social housing is regulated, sub-market, non-speculative housing delivered by government, housing associations and housing co-operatives.



Figure 5: Co-operative housing within social housing

²⁰ Scott, A., Grimstad, S. and Holst, H.(2022) *Homes for People. How Nordic policies can improve Australia’s housing affordability* The Australia Institute, Canberra <https://australiainstitute.org.au/report/homes-for-people/>

Rental housing co-operatives

Rental co-operative housing comprises approximately 1 per cent of social housing nationally and this unique form of social housing is positioned to grow. Housing co-operatives are different to other forms of social housing.

New research funded by the Australian Co-operative Housing Alliance (ACHA) and the Australian Research Council has found that active participation in housing co-operatives is correlated with a range of beneficial outcomes for their tenant-members, including:

- A sense of home, security, stability, and safety
- A sense of agency, voice, and empowerment
- Health and wellbeing, including that of children
- Skills development, employment, and education
- A strong sense of community, social networks, mutuality and reciprocity, and trust

The above outcomes are strongest when tenant-members actively seek to join housing co-ops due to their focus on participation, in co-ops that have clustered homes such as apartment or cohousing complexes, and in co-ops that have additional purposes, such as housing a particular social or demographic cohort (e.g., single parent households, Filipino families, artists, Vietnamese elders, etc.)

Active participation in their co-op is a key driver of beneficial outcomes for tenant-members. Co-ops thrive when supported to enact their agency in a sympathetic policy environment that recognises their unique requirement for tenant-member contribution and the value and benefits created.

The Australian rental housing co-operative sector is diverse. Individual co-ops have differing levels of responsibility for aspects of management such as tenancy, repairs and maintenance, and finances. There is demonstrable value to this diversity, as the above outcomes are found in co-ops across all levels of managerial responsibility.²¹

Co-operatives, like other community housing organisations, offer many benefits such as the ability to attract private finance to develop housing stock and enable stock growth. However, co-operative housing offers comparative benefits for delivering affordable housing unmatched by other models because it empowers people, reduces welfare dependency and maximises return on government investment.²²

They offer greater housing security; better building quality and members report higher levels of wellbeing. 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.

²¹ Crabtree-Hayes et al (2024) Articulating Value In Housing Co-operatives project report, Western Sydney University, pending.

²² Griffiths, David 2016 Competition and Co-operative Housing, Response to Productivity Commission Report Introducing Competition and Informed User Choice into Human Services

Research by the Australian Housing and Urban Research Institute (AHURI) found that older Australians prefer co-operative housing²³. The research found that co-ops met long and short-term housing needs, and delivers other benefits such as independence, privacy, security of tenure.

Housing co-operatives are empowering models of tenure that can play an important role in delivering housing affordability and security for more Australians. In markets where co-operatives have been supported through government policy, the model can be market leading, such as in Victoria where Common Equity Housing Ltd (CEHL) makes up 14 per cent of the community housing stock.

The Australian Co-operative Housing Alliance (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 Housing SA and United Housing Co-operative (as a representative of Victorian independent rental co-operatives).

The BCCM and ACHA have proposed ten per cent as a target for the proportion of social housing that is co-operative housing, by 2033. It is currently in 2023, one percent. To achieve this it is proposed that at least ten percent of the Social Housing Accelerator funding for social housing and the Housing Australia Future Fund for social and affordable housing is quarantined for housing co-operatives.

The housing co-operative sector was established through a tied funding scheme in the original Community Housing Program in the 1980s. Thirty percent of the Community Housing Program funding to each state was tied to the development of rental housing co-operatives. Without this dedicated funding the sector would not have been able to establish.

Victoria, NSW, SA and WA have registered Community Housing Providers (CHPs) who specialise in co-operative housing. In a common equity housing co-operative, property is owned by the co-operative (or a secondary coop 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 245 rental housing co-ops across Australia providing over 4,800 homes, with the majority in Victoria (2,779) and NSW (1,086).²⁴

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. CEHL co-operative housing program involves 103 shareholding housing co-operatives and houses more than 4,000 people in approximately 2,100 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 Housing SA was formed in 2012 as the peak body and the registered housing provider (Tier 2) under the National Accreditation System supporting 11 housing co-operatives across SA. Co-operation Housing WA is also a secondary co-operative body registered as a community housing

²³ Housing aspirations of precariously housed older Australians <https://www.ahuri.edu.au/research/final-reports/390>

²⁴ Statistics compiled by BCCM

provider that supports rental housing co-operatives. Several states also have housing co-operatives which are registered CHPs in their own right.

These CHPs are ready to grow the housing co-operative sector. There are new projects under construction in Vic and NSW, with sites ready to progress in SA, NSW, Vic and WA.

Recommendations:

1. Aim for co-operative housing as at least ten percent of social housing stock by 2033, achieving sustainability in each jurisdiction, by identifying and removing barriers.
2. Re-instate a stream of funding dedicated to rental housing co-operatives, as was the case in the 1990s when most of the existing housing co-operatives were formed.
3. Ensure that at least ten per cent of funds such as the Social Housing Accelerator and the Housing Australia Future Fund and the expanded National Housing Infrastructure Facility go to increasing the co-operative housing sector.

Equity housing co-operatives

In the private rental sector, the housing is owned by an investor. This may be a 'mum and dad' investor or an institutional investor. It may be a single dwelling or a multi-dwelling building (apartments). The construction or purchase of the housing is financed and over time the rental income repays the finance and the ongoing costs. There may be government subsidies to increase the affordability of the housing. As the value of the housing increases (through increase in land value) this leads to a capital gain which accrues to the owner. This gain is only realised when the housing is sold, which has a de-stabilising effect on rental housing.

Properties and owners churn in and out of the private rental sector rapidly, making housing in the sector structurally insecure: most rental properties in Sydney and Melbourne are no longer in the sector five years after first observation.²⁵

Given that the rental income eventually pays for the property, it is better to cut out the 'middleman' and vest the ownership in a co-operative owned by the residents who live in the housing. This creates permanent affordability in the housing. The capital gain stays in the co-operative entity, it is not realised because the building is not sold. It is retained to provide housing and effectively taken out of the market and reverted to the social good of providing housing.

With co-operative ownership, the co-operative owns the property, and the member owns a share in the co-operative, and the associated proprietary right to the dwelling. This model is commonly used in places like Norway and New York, USA. For example, the great majority of apartments in New York are co-operatives.

Limited Equity Housing Co-operatives

A Limited Equity Housing Cooperative makes a valuable contribution to the housing market by stabilising housing costs and locking in any affordability subsidies to make permanent affordability.

Limited Equity Housing Cooperative projects deliver at cost "rental" outcomes with ongoing housing charges less than current market rental rates that become more affordable over time when compared

²⁵ Martin, Chris et al 2022 Regulation of residential tenancies and impacts on investment AHURI

with the private rental market. A stable and long-term tenure solution that does not penalise resident income growth over time with eviction.

In a Limited Equity Housing Cooperative members' equity is bought and sold for an agreed amount using a resale formula specified in the rules. The formula does not include full capital growth, which is why it is called limited. This is the case in Vienna where co-operative apartments are increasingly becoming more and more affordable compared to market rate apartments because they are not accumulating gains in land prices.

Subsidies to Limited Equity Housing Cooperatives are different to programs like NRAS where the affordable housing exits the program and is no longer affordable. Limited Equity Housing Co-operatives lock in affordability permanently.²⁶ In a program in New York which subsidized both co-operative and development led limited equity housing, after the funding agreement terminated (20–30 years) more than 90 per cent of co-ops opted to remain affordable as opposed to 30 per cent of developer projects.

“In Zurich, 20 percent of all housing is delivered and managed by housing co-operatives, creating a ‘third way’ between unaffordable market rental and social housing models”²⁷

International case studies

In the Zurich (Switzerland) housing co-operative model, the government leases land to the co-operative, in return for providing low-cost rentals and public amenity. This ownership of the land removes speculation based on land costs from the equation. Members provide some of the start-up capital, supplemented with a revolving loan fund. Government guarantees the loan for the development and over time the co-op members' rent pays for construction costs, maintenance and operations. The majority of the equity is owned by the co-op, depending on the money required for the start-up which is the member's equity. Models can vary the amount of the member equity and the co-op equity depending on the circumstances and desired level of affordability.

In a 2011 referendum, three quarters of Zurich's population voted in favour of a ballot measure mandating that affordable, non-profit apartments make up one third of the city's total rental stock by the year 2050. As a result government work proactively with the sector to ensure the successful establishment of housing and land is reserved for co-operative housing. As seen in the diagram below, Zurich cooperatives enjoy access to a range of preferential instruments that reduce overall development costs (and hence rents), assist with 'startup' capital and bridging finance, and provide mortgage guarantees that lower equity requirements. These include a federal 'Revolving Fund' extending low-interest loans for land acquisition; a 'Solidarity Fund' managed by the national cooperative umbrella organisation which may supplement member capital; and low-interest financing from the pension fund of the City of Zurich and a dedicated bond-issuing institution backed by the national government. The municipality also purchases share capital in individual cooperatives.

²⁶ Klien, Michael and Streicher, Gerhard 2021 The economic Impacts of Limited-Profit Housing Associations in Austria WFO-Austrian Institute of Economic Research

²⁷ Sundermann K et al 2020 The Third Way: A Cooperative Affordable Rental Model for Sydney

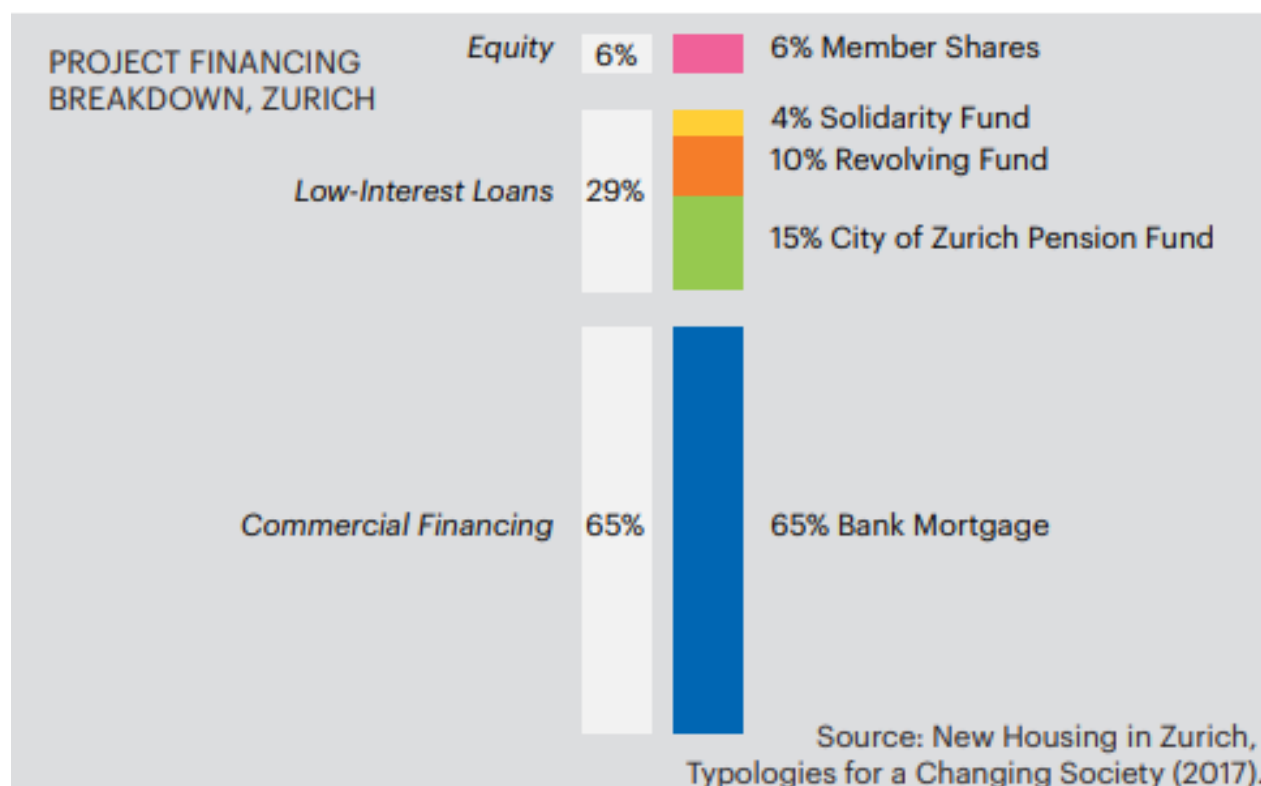


Figure 6: Swiss Housing Co-op model²⁸

Modelling showed that the adoption of the Zurich model within the Sydney context can achieve a 20 percent reduction on current market rent on a two bedroom apartment in the first year of operation. The affordability benefit increases over time as the dwellings are protected from speculation within the private rental market.

The model allows cooperatives to translate savings on developer margins and interest rate reductions into cheaper rents, and secure affordability in perpetuity by insulating rental stock from long-term price inflation.²⁹

In New York, Housing Development Fund Corporation (HDFC) Limited Equity Housing Co-operatives are supported with government loans and tax concessions in order to provide affordable home ownership. The HDFC is a revolving loan fund established under the 1966 Private Housing Finance Law. The purpose of the HDFC program is to provide loans to nonprofit organizations to develop low-income housing projects.³⁰

As a result, for example, a one-bedroom apartment could cost \$260,000. The fee for operating the at cost housing would be \$700 per month. A person or couple moving in would need to meet income eligibility requirements.³¹ In an HDFC co-op, there is limited capital gain collected on the sale, called a flip

²⁸ From: Sundermann K et al 2020 *The Third Way: A Cooperative Affordable Rental Model for Sydney*

²⁹ Sundermann K et al 2020 *The Third Way: A Cooperative Affordable Rental Model for Sydney*

³⁰ <https://hcr.ny.gov/housing-development-fund-corporation-hdfc#>

³¹ HDFC cooperatives, NYC Housing Preservation & Development <https://www.nyc.gov/site/hpd/services-and-information/hdfc.page>

tax, which is split between the seller and the co-operative. The income from the flip tax forms a part of the co-op's ongoing maintenance income.

In an alternative co-op program, the Mitchell-Lama program, examples include a one-bedroom apartment being \$29,000–\$85,000 and the monthly residency charge \$700–\$1,400 a month. In this program the profit from equity is more restricted, keeping prices lower.

What these examples demonstrate is that there is flexibility in how a Limited Equity Housing Co-operatives is structured. The share cost can be low and accessible, meaning there is a greater cost to be absorbed by the co-operative. This is either subsidised with government funding, reduced with favourable loan terms, or in higher rent from members. Alternatively, the share cost can be higher, with more equity in shares and less carried by the co-op. The model is used around the world to support empowering housing for people with disability, agency for people needing aged care support, student housing, single parents, people exiting homelessness, entrants to the housing market. What it has in common is a focus on affordability through removing the speculative aspect of housing, and security of tenure and agency for residents.

These intermediate tenures are hybrid tenures between owning and renting. They prioritise housing as secure and stable accommodation over housing as a tradeable commodity. The characteristic that distinguishes intermediate tenure from renting is that it creates a proprietary right that is capable of holding value, so that it can potentially be used as security for a loan and can be traded or redeemed when the tenure holder wishes to relocate.³²

In New York the co-operative share certificate is accompanied by a proprietary lease. A bank will enter into a mortgage with a proprietary lease and shares as security.

Australian case studies

In Australia modelling of the financial viability of multi-dwelling co-operatively owned buildings is being modelled in a project led by CoHousing Australia and Property Collectives and funded by the co-operative and mutual movement through the BCCM auspiced Bunya fund.

Modelling in 2023 on Council owned sites in Redfern, Sydney and Merribek, Melbourne has indicated that projects of around 40–50 units are viable with no government subsidy whereby:

- Landowners are willing to provide commercial ground leases for 40–50 years to the housing co-operative
- Equity investors are willing to invest for 25–30 years in return for a 9%+ Internal Rate of Return
- Debt providers are willing to provide NHFIC/Housing Australia type pricing for investment phase debt & work with equity investors on Interest Coverage Ratios and Debt Service Ratios
- Members have the capacity to pay \$30,000 to \$50,000 membership and support a monthly residency charge that commences at 90% of the equivalent market rent with capped escalation of 2% p.a. After 11 years the monthly residency charge will be 25% less than market rent (assuming annual escalation of 3.5% p.a.)

We are currently working to identify:

³² Apps, Ann 2021 Housing the 'missing middle' — The Limited Equity Housing Co-operative as an intermediate tenure solution for Australia's growing renter class *Australian Property Law Journal*

- Landowners who are values-aligned and open to a long term commercial ground lease arrangement.
- Impact investors prepared to invest for the long term and fund the development and investment phases.
- Debt funders willing to discount long term investment phase debt pricing to allow commercial ground leases to be paid for securing the land.
- Member & employee focused organisations looking to invest in creative ways to deliver more affordable and secure housing for their members & employees.

The BCCM has a track record of raising industry co-investment to support new and emerging co-operatives – The Bunya Fund has supported housing co-operative projects.

Recommendations:

4. Work with the co-operative movement to invest in a revolving impact equity fund for start-up of Limited Equity Housing Co-operatives.
5. Provide a loan guarantee for Limited Equity Housing Co-operatives so that projects can access favourable debt financing through mutual finance or the private market.
6. Grant an exemption on input GST for Limited Equity Housing Co-operatives.
7. Work with the co-operative movement fund education and advisory resources to assist in the development of Limited Equity Housing Co-operatives.

Community Land Trusts

Affordable housing that also has the security and other benefits of home ownership is can also be provided through a combination of community land trust and Limited Equity Housing Co-operative. This model is currently growing in prevalence in the US. A Community Land Trust (CLT) is a form of shared ownership of a property, where the land component of a residential property is owned by community based, not-for-profit legal entity.

As CLTs remove land costs from the cost of housing they can make housing more affordable, particularly in markets where increases in land value outpace income gains for lower income workers.³³

The C Street Co-op combines a Limited Equity Housing Co-operative that leases the land from the community land trust, providing new permanently affordable homeownership opportunities to six low-income households. The residents collectively own the housing as part of the limited-equity co-op, and SquareOne retains ownership of the land. Members purchase a share for \$10,000. The monthly carrying charge (like rent) is \$788 per month.

The limited-equity housing cooperative has a cap on how much equity members can earn in their homes, so they can't sell their share for a huge profit. This restriction works to keep these co-op communities affordable for future residents.³⁴

³³ <https://www.ahuri.edu.au/analysis/brief/what-community-land-trust>

³⁴ SquareOne Villages Membership Information Packet <https://www.squareonevillages.org/c-street>

Its size is intended to be a scalable model for developing resident-owned, infill housing on typical residential lots, permanently affordable to people with low-incomes.

We believe that building a non-commercial housing sector—outside of the influence of market pressures—is a critical step to addressing the roots of our housing affordability problem.³⁵

A long-term ground lease ties the interests of both parties together, creating a partnership that helps to ensure the longer-term viability of the co-op. SquareOne is able to serve in an advisory role, providing support to the co-op in the form of technical assistance and training. And due to its sustained involvement in the project, SquareOne also serves as a “mission steward” during periods of leadership change and member turnover within the co-op.

As seen in the image below, the model combines affordability with the benefits of stability and agency from home ownership.



Figure 7: SquareOne model

³⁵ SquareOne Villages Membership Information Packet <https://www.squareonevillages.org/c-street>
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Aboriginal and Torres Strait Islander housing

Affordable housing specifically for Aboriginal and Torres Strait Islander peoples and communities ranges in forms. The co-operative model has been adopted many times to deliver housing by First Nations peoples. In particular in Queensland and Victoria, nearly ten percent of housing specifically for first Nations peoples is operated by co-operatives. The co-operative model holds “a unique set of principles around collectivism that are aligned to Indigenous cultural values, community needs and that also support the goals of self-determination and economic participation.”³⁶

Building groups as resident co-developers

Resident-led Building Group projects deliver at cost home ownership to members who collaborate to co-develop their future homes. Average saving to market value for projects delivered since 2010 is 11 per cent.

Benefits of building groups includes:

- More affordable (unlike market housing, it does not require the marketing costs associated with pre- sales)
- Economies of scale from developing multiple dwellings/apartments together (economies not available to individual home builders)
- Tailored homes which respond to the needs and desires of residents
- Higher sustainability outcomes to reduce operating costs
- Absence of a profit-making entity in the development of housing.

In Australia, since 2010 the average discount to market value these building groups have managed to deliver is 11 per cent. There is no other model we are aware of that can deliver this level of discount to homeowners without any government subsidy.

There are already several established design-led housing developers in Australia including Assemble Communities, and Nightingale Housing. There are also emergent community-led housing development models in Australia including Property Collectives. Additional community-led housing development models continue to emerge, innovating in response to high prices and poor-quality in market-driven developments.

Beyond their exemplar social and environmental design, these principally middle class, moderate to high income developments have demonstrated a greater willingness to incorporate voluntary social and affordable housing contributions in partnership with registered Community Housing Providers. Both Nightingale Housing and Assemble Communities have committed to a figure of 20% tenure blind social and affordable housing with their developments, while Property Collectives has similarly partnered with a number of Community Housing Providers to enable shared equity, social and private rental housing outcomes. These leaders of market-based innovation provide helpful prototypes to emboldened government in enacting policies that establish these expectations across the broader development industry.

Building groups diversify the types of housing available in the market by allowing future residents to participate in the design and construction of new multi-unit developments. Currently people who want

³⁶ Doing Business Together 2021 Business Council of co-operatives and Mutuals

to live in multi-unit housing experience a lack of agency and participation in development, and as a result the kind of housing people want isn't being built. The kinds of things people are looking for in co-located housing is building the social capital for other lifestyle savings, like bulk purchasing, childcare, collective purchasing of electric vehicles. As demonstrated in the diagram below (Palmer 2019), without building groups the option to participate in the design of a multi-unit dwelling is otherwise severely limited.

		Detached House	Multi-Unit Dwelling
Dwelling Stock	Existing	Buy an Existing Detached House ✓	Buy an Existing Multi-Unit Dwelling ✓
	New	Initiate Design and/or Construction of New Detached house ✓	Initiate design and/or construction of new Multi-Unit dwelling ✗

Figure 8: Options for future residents to participate in the design and construction of new multi-unit dwellings³⁷

Building groups allow future residents to take on part of the role of developer and reduce housing cost by as much as 11% as well as resulting in a customised home.³⁸ The Property Collectives model illustrated below shows the steps involved.

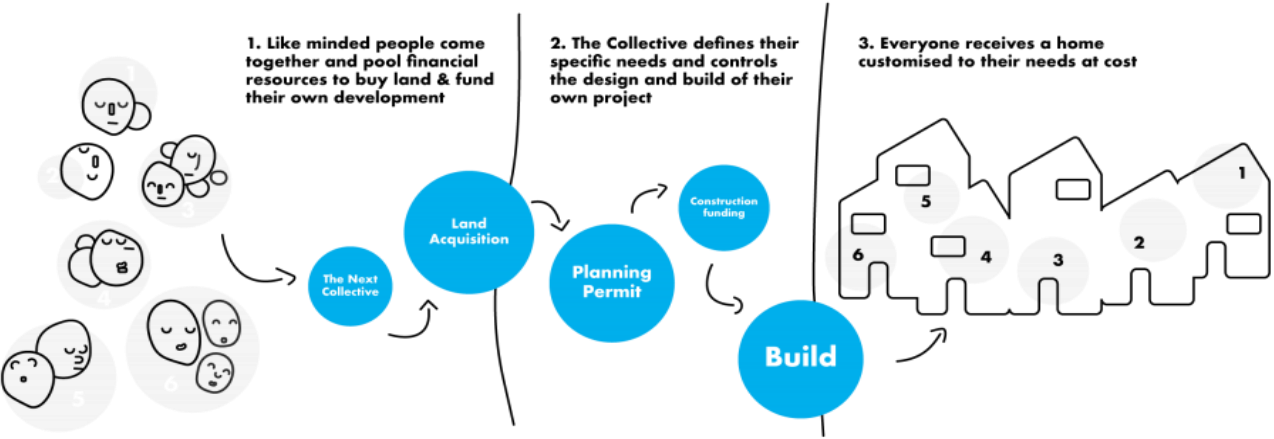


Figure 9: Property Collectives building group model

³⁷ Palmer, Jasmin (2019), based on Dolin et al (1992)
³⁸ 'Building Groups' <https://propertycollectives.com.au/building-groups/>
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What building groups bring to the housing mix is modest and replicable medium density developments which are 'neither sprawl nor too tall'. As they are being built by the people who intend to live in them, the need to maximise the sale value as an investment is not the primary driver of the development, which facilitates diversity in the housing mix.

Building groups typically convert fractionalised land ownership to direct strata title home ownership after building and the members of the building group each take out an individual mortgage if they require finance.

In the Limited Equity Housing Co-operative model, the ownership stays with the corporate body made up of the residents, in the form of a co-operative.

Ann Apps explores the difference between a strata title ownership and co-operative ownership. She found that the strata title model has more transactional efficiency and promotes values that are individualistic like profit maximization. Co-operative ownership has a stronger internal focus on users as stakeholders. Strata title units are commonly investment units that are rented to a tenant. A co-operative property is better suited to resident owner occupancy.³⁹

There is potential to combine Community Land Trusts, Limited Equity Housing Co-operatives and building groups to create a replicable, superior, permanently affordable model of housing with mixed and secure tenure plus resident agency.

Support establishment of new markets for housing.

A significant amount of public spending on housing in Australia takes the form of tax concessions and subsidies for home buyers and owner-investors to purchase market housing. This public spending would be far more efficient at addressing the housing needs of very low to moderate income households if directed to deliver more submarket nonspeculative rental housing.

Providing subsidies to stakeholders with the expertise to deliver quality housing also creates the capacity for government to place regulations and qualifying conditions on a given project in exchange for financial support. This means that any housing created can be maintained as nonspeculative submarket housing stock in the long-term.⁴⁰

Community-led models lever equity from residents to provide non-speculative affordable housing with the benefits of ownership and at the same time address the underlying causes of housing unaffordability.

To foster the development of these models, early-stage investment capital from government would assist to bridge the innovation risk curve. This capital will help new models establish in market, prove their viability (or not), and for those that achieve traction, reach the level of maturity required to attract follow-on private market capital. Government has a critical role to play in helping seed these new

³⁹ Apps, Ann 2021 Housing the 'missing middle' — The Limited Equity Housing Co-operative as an intermediate tenure solution for Australia's growing renter class *Australian Property Law Journal*

⁴⁰ Kulas, Jennifer 2022 Report: 2020 Churchill Fellowship to investigate innovative housing models for women and women-headed households

housing models, absorbing early-stage innovation risk, to create self-sustaining markets that over the long-term can be scaled efficiently by private capital.

Government has an interest in the growth of high-quality affordable housing and as such has a role in influencing institutional capital. Early-stage government capital to prove the viability of models will educate and drive awareness for institutional investors. An example of this type of government leadership is the shared equity housing model. This began as a government program and is now attracting investors, such as the model developed by HOPE Housing which co-invests in housing for essential workers.⁴¹

Recommendations:

8. Specific examples of where government should research and lead the development of new financial models and scalability of existing models:
 - Long-term patient loans to Limited Equity Housing Co-operatives
 - A mortgage product for home-owners to purchase a share in a Limited Equity Housing Co-operative
 - Financing products targeted to support medium density infill housing (circa 20–40 dwellings)
 - Shared-Equity scheme eligibility for resident-led building group communities

If broadly adopted these measures will have positive impact on Australian housing market. As more innovative housing models emerge and mature, that enable Australians to be self-sufficient with respect to their housing needs, pressure on government housing budgets will alleviate. Research should be undertaken to establish the business case for this early-stage investment capital, compared to the cost-heavy interventionist measures currently being implemented.

Build-to-rent

Built-to-rent (BTR) developments are typically held by institutional investors and provide residents with the flexibility of renting and the security of long-term tenure. The BTR sector is one of the fastest growing segments of the Real Estate Investment Trust (REIT) sector globally, with significant and growing interest in Australia from upwards of a dozen major providers. Institutional capital from superannuation funds is coming into BTR.

BTR is tending towards the premium end of the market. As explained previously just building more housing will not increase affordability.

With government support to develop the investment mechanisms, BTR can be developed as a resident owned, Limited Equity Housing Co-operative model. Current build to rent doesn't like small scale investment, whereas addressing housing affordability will need to include small scale infill development.

Build-to-rent-to-buy, such as the model developed by Assemble Communities⁴² extends the build to rent model to a pathway to ownership. Build to rent can be combined with a pathway to limited equity co-operative ownership and permanently affordable, secure housing. Rental co-operatives can also provide build to rent.

⁴¹ <https://hopehousing.com.au/>

⁴² <https://assemblecommunities.com/assemble-futures/>

Shared equity

A shared equity scheme is where the home buyer shares the capital cost of purchasing a home with an equity partner, allow lower income homebuyers to buy sooner as they need a lower initial deposit and have lower ongoing housing costs.⁴³

Various state governments in Australia act as an equity partner with home buyers in small, shared equity schemes and investors are also starting to invest in shared equity, for example HOPE Housing.⁴⁴

When asked about their preferred model of housing, precariously housed older Australians selected shared equity and co-operative housing as their two preferred models.⁴⁵ It is possible to combine these models.

Co-operative housing owned through a share rather than a title should be eligible for government supported shared equity programs. There are various configurations that could work for this. One is a full market equity co-operative where the share is worth the full value of the housing and accrues capital gains and the only difference to buying a strata title apartment is that it is a co-op, with the benefits of the co-op model over strata for multi-unit living. See Ann Apps Housing the Missing Middle for further information on these benefits.⁴⁶ Another potential configuration is that the co-op is the equity partner and holds the remainder of the equity with the homeowner able to buy, and sell, the share at market price.

This is a popular model in Norway where the large equity-based housing co-op sector is offering shared equity and it is currently being taken up by more than 60% of new entrants in the market. It is new, but it seems to be taken up by both young (without mum and dad banks), refugees and other recent immigrants, as well as retired people. It has led to a faster downsizing shift in affordable housing for older people.

The design of the shared equity model is that the co-op takes on up to 60% of the mortgage of the new flat, and then the buyer of the flat has an individual mortgage which is much easier for people to get bank loans for. This leads to rental costs (to pay back co-ops mortgage) but this mortgage is over 30 years. Compared to the high costs of private rental which often is very low quality, the shared equity models have led to more young people finding it affordable to enter the housing market, and eventually becoming owners albeit through shared equity solution at least to start with.

The shared equity solution provides both much better quality and more secure housing for more people, and for some people it is a way into the market which they otherwise would not be able to enter. With additional support such as a shared equity investment community-led co-operative developments are suitable for:

- Young people who can come together as a building group and build small affordable apartments together
- Retired people wanting to downsize
- Single mothers wanting to co-locate

⁴³ <https://www.ahuri.edu.au/analysis/brief/what-shared-equity-scheme>

⁴⁴ <https://hopehousing.com.au/>

⁴⁵ Housing aspirations of precariously housed older Australians 2022 AHURI

⁴⁶ Apps, Ann 2021 Housing the 'missing middle' — The Limited Equity Housing Co-operative as an intermediate tenure solution for Australia's growing renter class *Australian Property Law Journal*

- Older women

The shared equity model is a good option for older people who want to down-size and can no longer take out a loan but may have capital when they sell family homes.

Recommendations:

9. Government support for shared equity and co-investment in housing, such as the Help to Buy scheme, should be inclusive or preferential to co-operative ownership and Building Group projects.
10. Government measures such as guarantees for first home buyers or equity contributions for first home buyers must be inclusive of housing cooperative models, where the members financial stake will be reflected in ownership of co-op shares.

Planning and land acquisition

Community-led housing, including co-operative housing, provides many benefits including greater affordability, tailored homes to respond to complex needs, higher levels of community resilience and social capital and consistently high sustainability outcomes. There are several ways in which community-led housing can be supported through planning mechanisms and access to land.

Planning certainty

In jurisdictions such as Victoria, a discretionary planning system creates planning uncertainty. This creates optimal conditions for increased speculation, which inflates land prices and delays the delivery of housing supply. By contrast, implementing density controls with height and envelope requirements establishes greater certainty for councils, communities, and the development industry regarding expected planning and design outcomes. Increased certainty reduces speculation by stabilising the market, reducing inflation in the value of development sites and results in more permits directly leading to the supply of homes. Community-led housing, like all high-quality modest development, benefits from increased planning certainty, given the proponent's low threshold for planning risk.

Inclusionary zoning

Inclusionary zoning leverages private investment to contribute to the supply of affordable housing through the inclusion of a certain percentage of affordable housing with a defined area or a cash-in-lieu payment. This approach is used throughout the UK, USA, Continental Europe and in limited Australian locations such as Green Square, Sydney. If applied widely it is not seen as an additional cost for developers as they account for this requirement from the start – reducing how much they pay for land.

Inclusionary zoning can create a more even playing field for innovative models such as community-led housing by reducing land price and rewarding mixed tenure projects. Community led housing enhances mixed tenure outcomes through a greater connection between market and subsidised housing tenants.

Definition of community-led housing

Introducing a definition for community-led housing within the planning scheme would enable it to be identified, understood and incentivised through the planning process, in a similar way to how affordable housing is currently defined and incentivised. In the NSW context, a number of diverse housing models have been defined, such as New Generation Boarding Houses, Group Homes and Co-Living, and receive preferential treatment in the planning scheme.

Such as definition could include:

- Commitment via legal agreement to secure affordability through instruments such as rent stabilisation
- Innovation in the design and function of indoor and outdoor shared community space
- Evidence of resident participation in the design of project
- Evidence of resident contribution to the financing of project
- A formal commitment to the ongoing governance and operation of the project by residents
- Commitment to fossil fuel free building operation and minimum 8 Star NatHERS rating or similar 'above minimum standard' sustainability commitment.
- Commitment to decoupling parking from individual dwelling titles (where relevant), creating greater flexibility in the conversion of parking, a reduction in parking required and supported by high levels of bicycle parking and provision for e and e-cargo bikes.

Incentivisation of community-led housing through the planning scheme

With community-led housing defined, there is the potential to incentivise it through the planning scheme, reducing planning risk and giving this form of housing a head start from market-led housing, helping these projects succeed in the competition for sites.

Such planning incentives could include:

- Access to a fast-tracked planning approval process tied to skilled independent design review
- Access to modest density or height bonuses
- Removal of third-party appeal rights where evidence of community engagement is provided prior to lodgment
- Reduction of developer contributions or rate holidays where a publicly accessible facility is provided within the development
- Reduction in parking requirements

Supporting access to land

Like most innovative or affordable housing models, community-led housing benefits greatly from preferential access to land. Local or state government can enable these models by preferencing community-led housing when they are looking to provide land for sale or long-term ground lease. Community-led housing projects benefit from Expression of Interest processes that privilege projects that provide affordability, sustainability or community benefits.

While discounted land would enable community-led housing to provide greater levels of affordability for its residents, community-led housing proponents can often pay commercial terms for land purchase or ground lease. Community-led housing projects benefit greatly from access to ground leases or deferred

settlement on the purchase of land. Long-term ground lease enables government to maintain revenue over time and retain ownership of the land with significant intergenerational equity benefits.

Community-led housing can also be located on Community Land Trusts, which is land owned by community based, not-for-profit legal entity: a trust with a board made up of representatives from government, residents and the broader community. Transferring land to a Community Land Trust removes it from speculation, enabling further affordability over time. In the Australian context Community Land Trusts have a significant role to play in protecting public or faith-based land from short sighted sale and speculation.

Preferential access to land could also be provided for sale or ground lease (at a subsidised or commercial rate) by government or private master developers as part of an urban renewal precinct, with community-led housing acting as an important catalyst site that brings life to a new neighbourhood. This method, used extensively in the Netherlands and Germany can bring forward precinct development and increase the attractiveness and value of remaining development parcels.

Recommendations:

11. Enable community-led housing and reduce speculation by creating greater certainty in the planning system through fixing density and building envelope controls.
12. Introduce inclusionary zoning to support community-led housing models by creating a more even playing field for innovative models.
13. Create a definition of community-led housing to enable these models to be incentivised through the planning scheme. Incentives could include density or height bonuses, fast-tracked planning processes, or removal of third-party appeal rights, developer contributions, rates or parking requirements.
14. Preference community-led housing through the Expression of Interest process when governments are providing land for sale or long-term ground lease.

Housing in a Climate Emergency

The impact of climate change and disasters on housing security, sustainability and health are interconnected. The housing crisis cannot be separated from the climate emergency crisis.

Impact of residential construction

In Australia, the use of electricity and gas, the heating and cooling of homes, and car usage associated with the housing sector is directly contributing to environmental impacts⁴⁷ and is responsible for approximately 11 per cent of the nation's greenhouse gas emissions. The housing sector is failing to achieve the economy-wide net zero goal by 2050.

⁴⁷ Daly 2017 *Quantifying the environmental impact of ecovillages and co-housing communities: a systematic literature review*

The community-led and cooperative housing sector prioritises design, construction and operational best-practice because they are holding and occupying the assets for the long-term. They are a natural ally in developing new markets for sustainable material and modes of production. Ensuring a national market for sustainable technology and materials will reduce price and improve the performance of systems and support further innovation⁴⁸.

It is important to encourage the uptake of energy efficient housing modifications and design through environmental performance disclosure, such as by promoting wider roll out of Scorecard⁴⁹ to establish a market for energy efficiency homes and improve public literacy. Energy efficiency of rental properties⁵⁰ should be improved by implementing minimum environmental standards⁵¹ and increasing tax incentives for energy efficiency upgrades. Housing providers such as landlords and strata bodies, as well as low income households, need information and resources to improve energy efficiency. This can be achieved through a mix of an education campaign, and rebates and grants that are targeted and linked to professional advice using the Scorecard assessment.

Disaster and disaster recovery

Recoveries from devastating natural disasters are important opportunities to respond to pre-existing housing issues faced by marginalised and vulnerable groups and communities⁵². It is important that communities can take a localised approach in their recovery and in creating new forms of resilience, which is presently hampered by a lack of emergency housing and housing for the recovery labour-force⁵³.

There are limitations in government recovery practices and the corporate insurance system to ensure recovery that does not just replace like for like and thus limit evolution and innovation toward greater forms of resilience in recovering communities. Communities are requesting the opportunity to consolidate land, relocate housing, and to design housing clusters and cohousing communities. It is prudent to innovate a housing system that could both facilitate the recovery process and also build resilience in communities to cope with future climate disasters. Disasters should be an opportunity to work with affected communities and create place-based solutions that help rebuild the physical infrastructures but also individuals and communities.

Social capital, behaviour change and new social norms

An intentional and community-led approach to housing can support positive ecological outcomes and enhance climate change adaptation while tackling social isolation. They can have a positive influence on residents' pro-environmental behaviours, an increased household energy efficiencies and higher indoor comfort level achieved through passive designs and sustainable practices such as the common food system, outdoor cooking, and reduced reliance on car parking.

⁴⁸ https://mspgh.unimelb.edu.au/__data/assets/pdf_file/0009/3645090/BB-10-years-report_spread.pdf
<https://knowledge.aidr.org.au/resources/handbook-community-recovery/>

⁴⁹ <https://www.homescorecard.gov.au/>

⁵⁰ Heffernan, Troy William, Matthew Daly, Emma Elizabeth Heffernan, and Nina Reynolds. "The Carrot and the Stick: Policy Pathways to an Environmentally Sustainable Rental Housing Sector." *Energy Policy* 148, no. PA (2021): 111939.

⁵¹ Low Carbon CRC – submission to Treasury – Improving energy efficiency of rental properties

⁵² Fernandez & Ahmed 2019 "Build back better" approach to disaster recovery: Research trends since 2006

⁵³ van den Nouwelant & Cibil 2022 *Housing needs following the 2022 Northern River floods* UNSW

The Cooling our Commons⁵⁴ research is compiling a pattern library of resources to support community climate adaptation and mitigation. The cooking outdoors pattern provides benefits by removing cooking heat loads from inside dwellings during heat wave events by undertaking this task in shared outdoor spaces⁵⁵. This also promotes social connection and facilitates community connections which will alert community members to the potential absence of their neighbours⁵⁶. Social connection is a public health adaptation strategy for reducing mortality in heat waves⁵⁷.

Community-led and cooperative approaches to housing embed shared spaces and community connection as key components of design and operational governance. These projects can be used as pilots to demonstrate best practice climate mitigation and adaptation.

Recommendations:

15. Encourage the uptake of energy efficient housing modifications and design and improve energy efficiency of rental properties.
16. Update disaster recovery protocols to encompass the resilience potential of community-led and cooperative housing innovation.
17. Utilise community-led housing projects and cohousing design principles to improve climate mitigation and adaptation practices within the design, planning, and operations of housing and in rebuilding after a climate disaster

⁵⁴ <https://www.coolingthecommons.com/>

⁵⁵ <https://www.coolingthecommons.com/pattern/outdoor-cooking/>

⁵⁶ https://housingcoopresearch.org.au/wp-content/uploads/2022/05/crabtree_et_al_2019_articulating_value_in_cooperative_housing-3.pdf

⁵⁷ <https://link.springer.com/article/10.17269/s41997-020-00309-2>

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