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# Response to the Housing Australia Investment Mandate Amendments

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Submission to Treasury, Australian Government

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THIS IS  
SOCIAL  
BUSINESS

*Business Council of  
Co-operatives and Mutuals*

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make this submission to Treasury on the amendment of the Housing Australia Investment Mandate. We commend the Government's focus on addressing the need for affordable housing in Australia.

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

The BCCM provides leadership to the Australian housing cooperative sector as the national member of Cooperative Housing International, the housing division of the International Cooperative Alliance. The BCCM also provides Secretariat support to the Australian Co-operative Housing Alliance – an alliance of Registered Community Housing Providers that deliver cooperative housing. 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 limited equity housing co-operative models.

With an increasing number of Australians 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 would like to engage with the Australian Government to explore how co-operatives can help provide more secure, affordable housing in Australia.

## Response to the Housing Australia Investment Mandate Amendments

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The BCCM believes the establishment of the Housing Australia Future Fund Facility (HAFFF) and the National Housing Accord Facility (NHAF) will make a positive contribution to the growth of affordable housing in Australia. The 30,000 social and affordable homes over five years from the establishment of the Housing Australia Future Fund Facility (HAFFF) and an additional 10,000 affordable homes over five years from the establishment of the National Housing Accord Facility (NHAF) are a significant contribution.

### **Affordable housing**

'Affordable housing is generally used to refer to a range of housing types that seek to reduce or eliminate housing stress for low to moderate income households, where housing stress is typically defined as spending more than 30 per cent of household income on housing costs. This can include rental housing offered at below-market rent and pathways to home ownership for low to medium income households (such as shared equity arrangements or subsidised loans).'

The co-operative model has numerous benefits over other rental models supported by subsidised loans, and shared equity home ownership model. A combination of a shared equity co-operative, with limited equity, can provide ongoing and permanent affordability, with the benefits of ownership (rent like you own) and introduce an equity stream from residents to offset loans and government investment. These are three significant benefits.

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

The current categories of eligible project proponents mean that the limited equity housing co-operative which is a beneficial form of affordable housing is not able to be a stand-alone model.

### **Community housing**

The HAFFF and the NHAF are intended to “help encourage investment in housing (particularly in the social or affordable housing sector) and contribute to the development of the community housing sector.”

Historically the community housing sector was made up of housing provided by housing associations, housing co-operatives and local government. The housing association model has become dominant and this results in a loss of diversity in choices for Australians who need affordable housing.

Research by the Australian Housing and Urban Research Institute (AHURI) found that older Australians prefer co-operative housing<sup>1</sup>. The research found that co-ops met long and short-term housing needs, and delivers other benefits such as independence, privacy, security of tenure.

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<sup>2</sup>

Housing co-operatives are a form of resident-led housing. As such they tend to be smaller developments and take more time for consultation than housing developments which exclude residents from decision-making.

### **Finance**

Co-operatives have specific instruments for capital raising, including Co-operative Capital Units (CCUs) and Mutual Capital Instruments (MCIs), hybrid securities that support community ownership. The

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<sup>1</sup> Housing aspirations of precariously housed older Australians <https://www.ahuri.edu.au/research/final-reports/390>

<sup>2</sup> Crabtree-Hayes et al (2024) Articulating Value In Housing Co-operatives project report, Western Sydney University, pending.

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

**Recommendations:**

That not-for profit housing co-operatives be added to the types of eligible project proponents in section 28F 'Eligible project proponents for HAFFF projects'.

That Housing Australia consult with the BCCM to ensure financing activities are inclusive of co-operatives and the range of capital and fundraising options available to co-operatives.

**We would be pleased to provide any further information.**

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## Appendix 1: What are housing co-operatives?

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

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

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

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

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

### Benefits of housing co-operatives

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

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

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

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

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

## Appendix 2: Co-operative models of housing tenure in Australia

There are three models of co-operative housing ownership: common equity; shared equity; and full equity. The equity in the ownership can have gains limited or accrued at market rates.

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

Figure 1: Co-operative equity types

### Common equity (rental housing co-operatives)

In a common equity housing co-operative, property is owned by the co-operative (or a secondary co-op body) on behalf of its members. Members rent homes from their co-operative and have no individual ownership interest in or relating to the property. Co-operative rental housing has existed in many parts of Australia for decades, traditionally as part of the social/community housing sector. There are approximately 177 rental housing co-ops across Australia providing over 3,000 homes, with the majority in Victoria (2,700) and NSW (just over 500).

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

Common Equity NSW (CENSW) was formed in 2009 as the peak body and the registered housing provider (Tier 2) under the National Accreditation System supporting 31 housing co-operatives across NSW. Common Equity SA and Co-operation Housing WA are other secondary co-operative bodies that support rental housing co-operatives.

### Shared equity

Shared equity co-ops are prevalent in places like Zurich and New York. This is where a resident contributes equity through a share in the co-operative which entitles them to long term use of the

dwelling. This increases the role of private investment in housing provision through the equity invested by the resident.

The aim of the model is usually to allow (and maintain) relative ease of entry while providing a greater ownership stake than rental co-operatives.

### **Full equity**

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

When exiting the co-op, a member will be able to transfer their property interests to a prospective member at a negotiated price. Equity models are less prevalent in Australia but can be seen in an example like [Narara Ecovillage](#), or Property Collectives where a group of future owners work together in a joint venture to develop their apartment block on a not-for-profit basis. The key benefit for participants is a 10 to 15% reduction in cost of their unit.

### **Limited Equity**

To achieve the aim of affordability over the longer term, limited equity co-operatives set rules limiting the sale value of shares or other securities by exiting members. This model is not yet used in Australia but accounts for a significant share of housing stock in [Switzerland](#) and is common in other jurisdictions like the [United States](#).

	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 2: Housing spectrum showing role of housing co-operatives



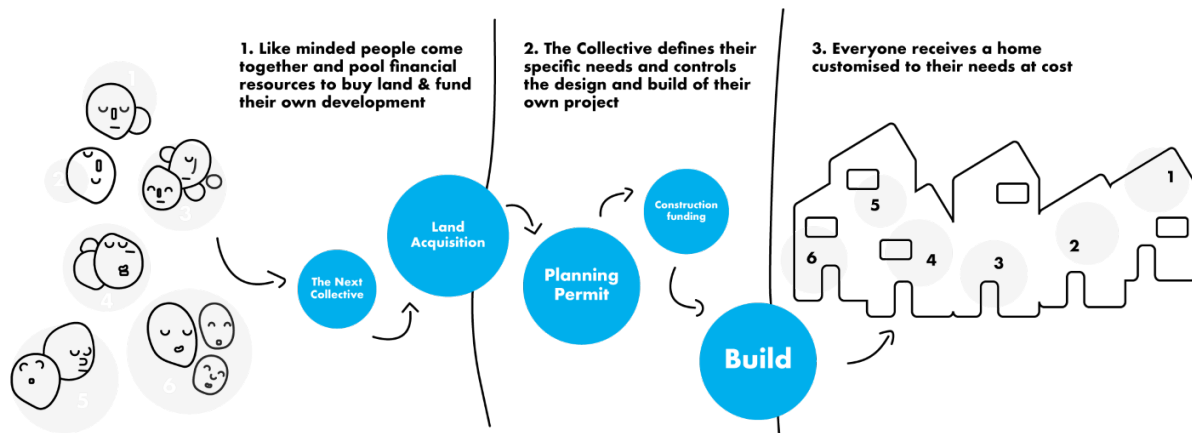
## Appendix 3: Examples of co-operative and housing development

### Property Collectives

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

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

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



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

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

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

### Collaborative development backed by a not-for-profit co-operative housing developer

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

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

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

### **School building works terminating co-operatives**

There is a long tradition of communities using co-operatives as the preferred vehicle to fund a range of investments. One sphere where this continues to occur is in schools in Victoria. Historically, as much as 30% of housing construction in Australia was financed through co-operatives backed by government guarantees.<sup>3</sup>

Where a government school seeks to build a new building like a gym or arts centre, it may finance this project through a co-operative. The government provides a guarantee to support the co-operative. When the debts are paid off, the co-operative is wound up. The BCCM estimates that since 1960, 286 school co-operatives have been registered in Victoria, with 21 co-operatives currently operating.

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

### **International examples**

#### a. German Baugruppen

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

Groups are democratic and, at the end of development, usually provide participants with individual ownership, although a range of tenure forms are used. Often a culture of collaboration and community is retained beyond the project when residents move into the new development. Through managing the development process, Baugruppen save around 20% of the costs compared to an externally developed project. Policy settings that have supported Baugruppen include preferential treatment in accessing government land and funding for development organisations that assist groups.

#### b. French habitat participatif

From the 1960s onwards a tradition of [habitat participatif](#) (participatory housing) has developed in France, in which groups of citizens democratically design and manage their housing. The French Government defined participatory housing and introduced two bespoke legal forms for participatory housing projects as part of a broader set of reforms to housing legislation [in 2014](#). As of [2021](#), there were more than 900 participatory housing projects in France, of which 270 are completed (providing 3,000 homes). Growth has been 18% year-on-year over 10 years.

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<sup>3</sup> Previously some state governments have similarly promoted co-operative societies for home building finance. See [articulating value in cooperative housing 20190125.pdf \(westernsydney.edu.au\)](#) at page 53-4.

## Appendix

More information can be found in:

2023 Creating a National Housing and Homelessness Plan

<https://bccm.coop/wp-content/uploads/2023/10/BCCM-National-Housing-and-Homelessness-Plan-submission.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

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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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