

BCCM study tour report findings and policy recommendations webinar

Questions and Answers

9 December 2024

Equity

I'm curious about the nuance of children inheriting an apartment in Vienna. Is that inheriting the right to reside rather than the 'asset'?

Yes, it is the right to reside, not the right to the asset that is inherited. Co-op property is held in common ownership. The right to occupy a particular dwelling is the right attached to the membership.

Are there many examples (from the study tour or otherwise) of co-op housing models that allow residents to build equity in the co-op over time?

Housing co-ops are a broad church and can take different structures along a continuum united by core values and principles of equity, affordability, democracy and community. Various levels of shared-ownership and equity are present in different models, but the most common model on our tour are rental co-ops. Residents often do contribute equity on entering which is a contribution to the shared capital pool facilitating sinking funds and contributions to further housing. That contribution is repayable at par-value on exit. It allows a true sense of ownership and secure tenure for the resident.

In equity based co-operative housing (i.e., members purchase the co-op dwelling according to market price), such as in Norway, co-op housing does not necessarily provide an affordable solution. After the Co-op Housing Federation had been heavily criticised for not catering for lower income groups, they successfully implemented shared equity models, where the co-op can take on up to 50 per cent of the equity, which results in the buyers having to only having to contribute a downpayment of half the costs. The member can then take on more of the equity as they go. This has been a very popular solution, and more than 50 per cent of co-op flats in Norway are sold as this kind of shared equity model. It is especially attractive for new homebuyers who do not have access to the 'bank of mum and dad', older retired buyers, who can no longer obtain a mortgage but may have some capital and a regular pension, and finally new entrants and refugees.

Such a solution is possible if it is financially sustainable and subsidies and benefits that have been obtained may be returned to benefit new entrants elsewhere.

How can we get a new co-op started? The question is from Sydney in particular. Who can make it happen and how? For example, how can we make co-op housing a sector that exists alongside the private market (as seen in the graphic), not just a tiny subsection of existing community housing?

This form of housing is available to a group of people willing to pool their capital and to buy or develop housing together. They would share development costs or a mortgage over a property with multiple dwellings. In reality, convention and limited access to informed lenders challenges this model in Australia.

Kyloring.coop is an example of a group of people developing a housing solution through a co-op model.

Build to Rent

Wondering to what extent you think the recently passed Build to Rent legislation might enable more co-operative housing, and are there improvements you'd like to see?

The Build to Rent legislation reduces withholding tax for Managed Investment Trust (MIT) developments; this is intended to benefit and, therefore, attract foreign funders. Co-ops aren't MITs and also aren't particularly looking for foreign investors, so this aspect of the Act is of little use to co-operatives.

The second focus of the Build to Rent legislation is to shorten the period for depreciating the building assets from 40 years to 25 years. This enables the entity to reduce tax on income in the first 25 years. Co-operatives operate "at cost" and are subject to the mutuality principle and so are unlikely to benefit from this mechanism.

To be eligible as a Build to Rent development the asset must consist of 50 dwelling units or more. Community-led housing such as co-ops is often smaller than 50 dwelling units, and this is likely to continue to be the case until the housing co-operative sector achieves a larger scale. Therefore, this aspect of the legislation scopes out most co-ops.

There is potential for some work to see if a Managed Investment Trust can be compatible with a co-operative and be a potential source of finance for a housing co-operative. On the whole the legislation does very little to support the development of housing co-operatives, even though they are an existing Build to Rent model in Australia providing the benefits that the Build to Rent legislation aims to achieve, i.e., more secure housing because the value is in long term renting not sale driven capital gain; single owner leading to building wide quality improvements and professional management; overall increase in supply. Co-op housing is an existing, high-quality form of build to rent housing, with the key difference being that the residents own the building rather than investors, creating permanently affordable housing.

In the US, which is quoted as having a large institutional build to rent sector, there are also large limited equity and equity housing co-op sectors which offer alternatives to institutional landlord, where the people who live in the housing are the investors and the building is governed by a resident's board rather than a landlord. These co-ops received favourable loans and local tax deductions in return for providing housing to eligible middle-income households.

Improvements to create an enabling environment for housing co-ops include: access to a favourable loan program like HAFF to establish middle income housing co-ops (see: <https://www.middlegroundhousing.org/>) / long term patient capital through co-investment / access to land particularly through a land lease / pol

Community Housing

Do you see a role for Community Housing sector in helping to support coop housing get established?

Yes, rental housing co-operatives are an important component of a diverse community housing sector. All of the current [ACHA members](#) are registered CHPs. Housing diversity including in the CHP sector should be supported.

Can you clarify the ACHA and the BCCM's goals for promoting co-ops that are inside versus outside CHPs? Which of these sectors is your focus?

The current ACHA members are all CHPs and it is their interests that ACHA primarily represents. We are supportive of the growth of an Australian co-op housing sector that includes co-op housing not delivered by CHPs.

The BCCM represents ACHA and other housing co-operatives across the broad spectrum. We champion diversity of affordable co-op housing models. Through our support for ACHA, we believe fervently that rental housing co-operatives deserve a bigger role in community-led housing and are a strong alternative to traditional build to rent models.

Liz showed co-op housing as distinct from private rental and state/community housing. What is the essential difference between co-op housing and state/community housing?

The primary difference, common to all ACHA members, is the empowerment, self-determination and agency co-op renters experience as members of a housing co-operative. They are actively engaged in the management of their housing, their housing community and their housing provider. That can extend to co-op renters being on the board of governance of the housing provider.

Design

Do architects have a measurably stronger role (or level of control) in relation to land development in these European countries as opposed to developers, and if so, how is this established – is it a cultural legacy, political preference or legally encoded?

They don't have more legal control and occupy largely the same role in relation to building and development. But the role of design is elevated as co-op housing is the platinum model of affordable housing in the cities we visited.

Much of the demand for housing is lower scale (middle/outer suburbs/regional cities). Lower scale creates management scale issues. Could there be a coop over multiple sites?

These models work on multiple sites, widely distributed across a region as much as co-located – we have examples of both in Australia and overseas. A co-op can be an umbrella with multiple sites.

Finance

Do the solidarity and revolving funds depend on a different kind of banking ecosystem than we have in Australia? For example, are they anchored in publicly owned banks, or credit unions or differential borrowing/lending capacities of various govt funders?

The [report](#) has a section on “Funding an affordable housing co-operative sector at scale” for each tour location that provides detail on this question. Government backed bonds typically play a role.

Does co-op housing require subsidies from government and/or concessional finance and/or access to land at sub-market prices to work in Australia?

It depends on who is intended to be housed, but generally, to make it affordable to people who currently can't achieve home ownership, yes, some form of subsidy is often needed. This ranges from funding for social housing

Can you tell us about how the commercial banks treated lending to the coops in the countries you visited. In particular did they treat the lending as residential mortgage lending or commercial lending?

As both – for development it was commercial lending, for occupants it was residential lending model.

And a good point that was raised: Mobility ‘within’ tenure is also critical – without triggering stamp duty etc. Allowing households to move sizes / adapt to life changes etc!