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Homes for NSW Plan

Submission to Homes NSW

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Introduction

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to provide feedback to Homes NSW on the Homes for NSW Plan discussion paper.

The BCCM is the national peak body representing the co-operative and mutual enterprise movement across all sectors of the economy including agriculture, banking, insurance, housing, retail, small business buying groups, health, energy and social care. In New South Wales, co-ops and mutuals have a combined turnover of \$15.7bn and have 11.8 million memberships including more than 20,000 SMEs. BCCM's NSW-based membership includes housing co-operatives (Common Equity NSW) as well as mutual banks (for example, Police Bank) with a direct interest in meeting housing needs.

Co-ops and mutuals are businesses that are owned and democratically controlled by members, who can be consumers, producers (SMEs), workers or a community of interest. They exist to deliver benefits to members and the community, rather than seeking to maximise profits to shareholders.

Response to Discussion Paper

The BCCM commends Homes NSW for the vision that "Everyone has access to a decent home and support if they need it" and supports the focus on the non-market system. The vision provides an appropriate system-wide purpose and direction for all providers to work towards over the next ten years. The BCCM supports the priority areas: customer driven service; more and better homes; and a system that works. These priority areas will contribute to achieving the vision.

Housing co-operatives in NSW form a part of the community housing sector, which makes up a part of social housing. Housing co-operatives in NSW make up about two per cent of the community housing stock and less than 1 per cent of the social housing. This compares to around 20 per cent of housing stock in some European cities.¹ Housing co-ops are the missing piece in Australia's affordable housing puzzle.

A housing co-operative is a business that has shared ownership by its residents, where the goal is affordable housing rather than profit.² The National Housing Supply and Affordability Council recognise housing co-operatives as an emerging form of tenure in Australia and one of the six housing tenure types in Australia.³

Housing co-operatives around the world make up a substantial sector in the non-market housing system. They give members a voice, with tenants actively participating in governance, planning and operations that lead to better tenant outcomes and property management. Research in Australia

¹ Grimstad, S., Seaborn, L. and Taylor, E. (2024) What Australia can learn from European affordable co-operative rental housing models: A report on findings from the BCCM 2024 study tour. ISBN: 978-1-922361-80-6, website: bccm.coop/study-tours/

² Housing Europe and ICA Housing, 2012

³ National Housing Supply and Affordability Council (2024) State of the Housing System

found co-operative housing provides tenant-members with higher levels of housing stability, quality and security, and higher levels of agency and empowerment than other forms of rental housing. It also found co-op housing reduced costs due to higher levels of resident participation in tenancy and property activities.⁴

In delivering these outcomes, housing co-ops support housing affordability and liveable cities.⁵

Recommendations

In summary the BCCM recommendations are as follows:

Recommendation 1: For eligible renters who want a higher level of involvement in their housing provision, ensure there is enough co-operative housing for this to be an option for them. The Australian Co-operative Housing Alliance (ACHA) estimates this needs to be at least ten per cent of community housing.⁶

Recommendation 2: Reinstate the dedicated funding stream for housing co-operatives, with an aim for co-ops to be at least ten per cent of the community housing sector.

Recommendation 3: Increase the assets and income allowed for housing entry to allow more people in need to access non-market housing, maintain the security of tenure for all and facilitate reinvestment into the system.

Recommendation 4: Transfer the title to housing co-op properties in NSW to Common Equity NSW.

Recommendation 5: Support Aboriginal housing co-operatives to participate in First Nations co-operative development led by Tranby Aboriginal College in Glebe, Sydney.

Recommendation 6: Recognise tenant-led housing co-operatives as a distinct sector in social housing.

Recommendation 7: Work with the BCCM, ACHA and CENSW to develop a funding model for NSW to grow housing co-operatives as a distinct form of affordable tenure, between renting and owning

⁴ Crabtree-Hayes, L., Ayres, L., Perry, N., Veeroja, P., Power, E. R., Grimstad, S., Stone, W., Niass, J., & Guity, N. (2024). The Value of Housing Co-Operatives in Australia. <https://doi.org/10.26183/Oxpp-g320>

⁴ ACHA Blueprint (2024) <https://acha.coop/wp-content/uploads/2024/11/ACHA-Blueprint-2024-digital.pdf>

⁵ Grimstad, S., Seaborn, L. and Taylor, E. (2024) What Australia can learn from European affordable co-operative rental housing models: A report on findings from the BCCM 2024 study tour.

⁶ ACHA Blueprint, ibid

Detailed response

The BCCM would like to address the following discussion paper questions in more detail.

Q3 What does great engagement with tenants and communities look like?

Co-operatives have democratic and inclusive governance structures and are ideal for engagement with tenants and communities. In a housing co-operative, engagement is formalised and embedded in the structure – it is not a nice to have, but a right and responsibility of membership for tenants. The 2024 report, *The Value of Housing Co-operatives in Australia*⁷, found that co-operative housing provides tenant-members with higher levels of housing stability, quality and security, and higher levels of agency and empowerment than other forms of rental housing.

Examples of outstanding tenant and community engagement include housing co-ops in NSW which cater specifically to people from certain migrant communities (for example, Lac Viet Housing Co-op, Tamil Senior Citizens Housing Co-op), or artists (Alpha Artists House), or students (Stucco Co-operative) or trans people (All Nations Housing Co-op). The co-op structure means that the resident-members work together to manage housing that meets their needs. Many NSW housing co-ops benefit from membership of Common Equity NSW, a secondary co-operative that provides them with the scale and technical support of a registered Community Housing Provider. This secondary structure underpins sustainable tenant management of housing.

Recommendation 1: For eligible renters who want a higher level of involvement in their housing provision, ensure there is enough co-operative housing for this to be an option for them. The Australian Co-operative Housing Alliance (ACHA) estimates this needs to be at least ten per cent of community housing.⁸

Q5 What changes do you think we should make to improve social housing access and tenancy management?

Housing co-operatives, which are run by tenant-members, have different needs to service-run community housing or government-run social housing. Therefore, co-operative housing needs to be recognised in housing policy as a distinct category of tenure.

For example, housing co-operatives are often smaller, and as such it is important that policy does not disadvantage smaller providers in areas where co-operatives may be a desirable outcome. This may apply when designing a funding program and specifying a minimum number of dwellings to be eligible, which is too high for a co-operative.

Housing co-operatives are very responsive to their member-residents and, as such, may take longer to go through establishment processes. This may apply when setting time frames for new projects and the need not to make it too fast for a co-op to undertake necessary consultation with members.

⁷ Crabtree-Hayes, L., Ayres, L., Perry, N., Veeroja, P., Power, E. R., Grimstad, S., Stone, W., Niass, J., & Guity, N. (2024). *The Value of Housing Co-Operatives in Australia*. <https://doi.org/10.26183/Oxpp-g320>

⁸ ACHA Blueprint (2024) <https://acha.coop/wp-content/uploads/2024/11/ACHA-Blueprint-2024-digital.pdf>

In the past, when most co-ops were developed, there was a dedicated funding stream to grow the housing co-operative sector.

Recommendation 2: Reinstate the dedicated funding stream for housing co-operatives, with an aim for co-ops to be at least ten per cent of the community housing sector.

Affordable housing and key worker housing

The BCCM notes that the NSW Affordable Housing Guidelines are being reviewed by Homes NSW. These guidelines refer to both social housing and affordable housing. In particular, affordable housing has an exit mechanism when tenants' income exceeds 150 per cent of the median (120 per cent of the median plus 25 per cent leeway of that), whereas social housing has security of tenure regardless of fluctuations in income. At the same time, the entry point for social housing is a low income and asset limit, excluding many people who cannot afford to buy into the housing market, whereas the eligibility for affordable housing includes moderate income (up to 120 per cent of median income).

In housing co-ops security of tenure is preferred by members. The general pattern is that after securing stable and affordable housing, member-residents undertake study and progress in their career. As their income goes up so does their rent. The higher rent paid in this time subsidises the lower-income households.

The member then becomes one of the lower income households again as their income decrease in older age (post-retirement). This fluctuation in rent is important for the financial viability of the co-operative and the security of tenure is important for addressing the growing need for affordable housing in older age. Any surpluses generated from higher rents can be utilised to build or buy more housing, growing the stock of non-market housing. This is a key feature of the Danish housing co-operative model where, after a period, one third of rent payments are preserved for a new building fund to grow the sector

Recommendation 3: Increase the assets and income allowed for housing entry to allow more people in need to access non-market housing, maintain the security of tenure for all and facilitate reinvestment into the system.

Q8 What actions would make the biggest impact in creating a housing and homelessness system that works?

To grow the housing co-operative stock in NSW, one important step is to transfer property titles to the common equity community housing provider (Common Equity NSW), as was originally intended. This would allow the common equity CHP provider to borrow against assets to expand the co-operative housing stock. This is the case in Victoria where there has been substantial growth in housing co-ops. Housing co-operative stock makes up 15 per cent of the community housing, and over three per cent of the social housing stock in Victoria, compared to three per cent of community housing and less than one per cent of social housing in NSW.

Enabling housing co-ops to borrow against assets and grow is key to the role housing co-ops can play in contributing to more (and better) homes.

Recommendation 4: Transfer the title to housing co-op properties in NSW to Common Equity NSW.

Q9 What actions would make the biggest impact to increase self-determination for Aboriginal people and families across the NSW housing and homelessness system?

About four per cent of Aboriginal community housing is co-operatives. Aboriginal housing co-operatives were largely formed in the 1970s and were a part of the movement that led to the modern-day community-controlled sector. Co-ops have been found to hold a unique set of principles based around the concepts of solidarity and self-help that are aligned to Indigenous cultural values, community needs and that also support the goals of self-determination and economic participation.⁹ Aboriginal Housing Co-operatives in NSW include: Nungera; Ngemba; Illaroo; Ngalawi; and Bunjum. Of them, only Ngalawi is a registered CHP.

Recommendation 5: Support Aboriginal housing co-operatives to participate in First Nations co-operative development led by Tranby Aboriginal College in Glebe, Sydney.

Q10 What are the risks and opportunities in developing an agreed set of system-wide measures to track progress against the priorities and objectives?

Housing co-operatives, which are run by tenant-members, have different needs to service-run community housing or government-run social housing. Co-operative housing must be recognised in system-wide measures as a distinct form of housing tenure.

For example, housing co-operatives have more inclusive tenant involvement and democratic processes, that result in higher levels of agency and empowerment than other forms of rental housing.¹⁰ If these qualities are not included in progress measures, the benefits of the co-op model by default become 'invisible' and the strengths of the sector are not recognised.

In another example, the chart on page 23 should separate out the 534 housing co-op tenancies from the figure provided for housing run by Community Housing Providers. Co-ops are a distinct form of social housing.

Recommendation 6: Recognise tenant-led housing co-operatives as a distinct sector in social housing.

Where does public funding come from for the non-market system?

Many countries have examples of non-market housing which combine funding sources so that the cost burden is not all on government. Denmark uses a mix of commercial loans, government loans, National Housing fund loans and tenant equity (two per cent); Austria provides funds through an Affordable Housing Tax, non- and limited- profit developer loans and tenant equity (more than seven per cent); Switzerland combines commercial loans, government loans, co-op sector loans and tenant equity (per cent varies).¹¹

⁹ Minnecon, R; Kitchen, J, Fyffe, E, Hercock, M, Faircloth, D (2021) Doing business together: Aboriginal and Torres Strait Islander Peoples' Inclusion in the Australian Co-operative and Mutual Sector

¹⁰ Crabtree-Hayes, L., Ayres, L., Perry, N., Veeroja, P., Power, E. R., Grimstad, S., Stone, W., Niass, J., & Guity, N. (2024). The Value of Housing Co-Operatives in Australia.

¹¹ Grimstad, S., Seaborn, L. and Taylor, E. (2024) What Australia can learn from European affordable co-operative rental housing models: A report on findings from the BCCM 2024 study tour.

Recommendation 7: Work with the BCCM, ACHA and CENSW to develop a funding model for NSW to grow housing co-operatives as a distinct form of affordable tenure, between renting and owning

The BCCM supports the submission and recommendations to this inquiry made by Common Equity NSW.

About the BCCM

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

Through its member co-ops and mutuals, the BCCM represents 12.8 million individuals and 60,000 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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