



26 June 2015

Standing Committee on Economics
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Chair and Committee Members

The Business Council of Co-operatives and Mutuals (BCCM) represents co-operative and mutual models of enterprise in Australia. BCCM is an association of chief executives of Australia's member and customer-owned business and peak industry groups representing a sector with a combined membership of more than 13.5 million Australians.

The BCCM welcomes the opportunity to make a submission to the inquiry into home ownership, and thanks the Committee for their consideration of this important matter

The BCCM would welcome the opportunity to discuss any matters raised in this submission should the Committee require.

Yours faithfully

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Chief Executive Officer



Standing Committee on Economics: Inquiry into Home Ownership

Prepared by

Business Council of Co-operatives and Mutuals

1. Opportunities for Reform: Co-operative Affordable Housing

This submission primarily addresses the 'Opportunities for Reform' component of the Terms of Reference of the Inquiry into Home Ownership. The cooperative sector currently provides cost effective, affordable, long term housing for a wide range of households not well served by existing housing markets within a structure that supports the social and economic development of members and local communities.

The co-operative approach to housing creates a unique relationship where the tenants as a group are also their landlord. This means that the tenants themselves are more than just consumers – they have a stake in the shared value created by the co-operative. In a housing co-operative, tenants play a key role in not just the day-to-day activities of the organisation but also in its management, governance and strategic direction.

While the non-profit community housing sector has a key role to play in the delivery of affordable housing, it is a co-operative approach to social housing that addresses not only the physical needs of people experiencing housing stress, but also their economic and social needs.

All sides of politics acknowledge that successive Australian governments have struggled to respond to the challenges of escalating home purchase prices and private rental costs. A report by the Co-op has revealed that nearly eight in ten Australians aged between 19 and 29 are concerned about the level of mortgage debt they may face in their lifetime, and the prospect of ever being able to own a home.¹ The current speculative model of housing ownership cannot deliver affordable housing for all. It is time to consider alternative ownership models and co-operative housing has proven to be a very significant opportunity for housing market reform.

2. Understanding Co-operative Housing

Co-operative housing can either be provided as rental housing or based on a wide range of co-operative ownership models. In general, co-operative housing provides long term, secure and affordable housing for people on low to moderate incomes.

¹ FUTURE LEADERS INDEX, 2015.



Co-operative housing can be a powerful model of mainstream housing. In the Swedish system, a co-production partnership between co-operatives, unions and citizens supplies almost a quarter of the country's housing stock. Mainstream co-operative housing solutions such as the Swedish approach have historically emerged in response to housing shortages and rampant housing speculation such as is currently being experienced in Australia.

Co-operative housing in a variety of other countries provides a strong social and financial model because it meets the expectations of communities and governments regarding social success, financial viability and opportunities for public and private partnerships. On average, 10% of residents of the European Union live in housing co-operatives.² In the UK co-operatively managed properties account for around 17% of social housing stock.

Although equity ownership co-operative models exist in Australia, the sector is still largely under developed. Research on Australian housing co-operatives has identified around 4,800 co-operative dwellings, comprising around 10% of the community-housing sector.³ To further promote the model, the Australian co-operative sector has developed an equity model and established a [national taskforce](#)⁴

Housing co-operatives have unique ownership and governance structures. Democratically run, a housing co-operative is managed by its residents who become members and owners of the co-operative. They play an active role in running the co-operative including managing tenancy agreements and maintaining the housing. A tenancy housing co-operative empowers members through participation in the management of their housing.

Housing co-operatives can be companies limited by guarantee or registered as co-operatives under legislation. They are underpinned by the international principles of co-operation: voluntary and open membership, democratic member control, member economic participation, autonomy, education and training, co-operation among co-operatives and concern for community. Housing co-operatives establish their own rules and by-laws within state and national regulatory and compliance social housing frameworks.

3. Co-operative Housing's Contribution to Affordable Housing

Member participation directly reduces cooperative housing management costs. Recent benchmarking demonstrates that co-operative housing is the most cost effective form of social housing program. Community Equity New South Wales (CENSW) has estimated that housing co-

² CECODHAS, 2012 from Gilmour, T., 2012.

³ HOUSING ACTION NETWORK, 2013.

⁴ NATIONAL HOUSING AFFORDABILITY ROUNDTABLE, EXECUTIVE BRIEFING: "BREAKING THROUGH THE AFFORDABILITY CEILING" via link: http://bccm.coop/wp/wp-content/uploads/2014/01/HousingAffordability_EB_V01.pdf



operatives produce savings over ten years per 1000 properties of \$4.07 million in comparison with other social housing sectors.⁵

Co-operatives are not-for-profit enterprises with all revenue going directly to meet operating expenses, the development of additional housing and providing for asset renewal. Where there is capacity to raise finance against its property asset base, co-operatives have been able to significantly expand housing for people on lower incomes, such as the case with Common Equity Housing Limited (Victoria). CEHL is the largest owner of housing of all Victorian housing associations. CEHL owns 2,200 Co-op housing properties and houses 5,418 people. Its housing stock is valued in excess of \$650 million.

Co-operative housing programs recognise the skills of local communities to help themselves manage their own housing solutions. Co-operative housing offers people opportunities for affordable and sustainable futures through learning new skills, building confidence and engaging in employment and further learning.

Residents volunteer their time to ensure the operation of their co-operative and housing stock. The sense of both community ownership and involvement generates a framework of engagement and household pride that allows stock to be kept in good condition at a lower cost. The community generates the intention of good management and those joining the community enter understanding their responsibilities and commitment.

As tenant members are involved in the governance of their housing, members progressively develop the skills and capacity to contribute positively to their local community. Tenant members are also provided with a range of training and skill development opportunities.

Co-operatives have formed to provide affordable housing for low income households in a wide variety of locations and around cohorts of particular social disadvantage including new arrivals, Culturally and Linguistically Diverse (CALD) communities, women escaping domestic violence, people with disability and aged pensioners. The efficacy of the co-operative model for keeping tenants in affordable housing has been recognised with the recent NSW \$4 million grant to support the relocation of tenants and the preservation of a housing co-operative, The Compound.⁶

The self-help co-operative housing model addresses the shortcomings of the welfare housing model by recognising that the majority of low income people, once offered decent affordable

⁵ FINANCIAL PERFORMANCE IN THE CO-OPERATIVE HOUSING SECTOR. CENSW 2014.

⁶ <http://bccm.coop/government-grant-for-housing-co-operative-in-sydney/#.VYshEuvG7-Y>



accommodation are willing to contribute to make sure their housing is well maintained and managed. Cooperative housing avoids the problem of concentration of disadvantage, and has low arrears and high tenant satisfaction. It has been estimated that low vacancy rates and reduced

tenant turnover in the co-operative sector yields a cost benefit per 1000 properties over ten years of \$170,000 in administrative and maintenance savings.⁷

The contribution of 'sweat equity' to housing affordability is also considerable. Tenant members review applicants for vacancies, sign off on tenancy agreements with new tenants, show properties to prospective tenants, co-ordinate cyclical and responsive maintenance, maintain the presentation of gardens and common areas, maintain records and produce reports for government, hold meetings to plan tenancy management and property management activities, budget and report to members, and pay accounts such as maintenance, rates, and common electricity.

Co-operatives address affordability for a range of households with different income levels, including those who can pay more but find it difficult to participate in the private rental market or home ownership without significant financial stress, as well as those on fixed and/or limited incomes. They include households on a broad income range (65% lower incomes and 35% higher incomes in NSW), allowing for a more sustainable financial structure for building maintenance and growth.⁸

4. Expanding Co-operative Housing in Australia

The catalysts needed to build on the success of housing co-operatives are access to capital and improved education for the housing sector about the various models and associated legal and financial instruments.

Seed funding needs to be provided to specialist housing co-operative centres that can function as a central resource agency for housing co-operative development. The role of the resource agency would be to refine documentation for the various models, promote models to potential consumers and provide advice services to developing co-operatives. Existing co-operative housing providers could be funded to expand their educative role.

Funding for this initiative could come from sources not limited to government but include stakeholders with an interest and commitment to the provision of affordable housing such as trade

⁷ FINANCIAL PERFORMANCE IN THE CO-OPERATIVE HOUSING SECTOR. CENSW 2014.

⁸ CHFV. Rental Housing Co-operatives 2012.



unions, customer owned banks, consumer-focused mutuals, consumer interest groups and member-owned super funds.

Rental co-operative programs could be further expanded by capital funds being made available to develop new stock or alternatively through the transfer of existing social housing stock. The potential for the expansion of share equity and equity co-operatives is also dependent of the provision of venture capital to enable Community Housing Associations to secure sites and obtain development approvals so that shares can be marketed to consumers as per traditional 'off the plan' property sales.

A source for this funding could be through a combination of government seeding grants and commercial loans from financial institutions with an interest in developing new lending products in the housing loans market place.

Community investors can co-invest in the provision of affordable housing together with loans obtained from financial institutions.

Collaborative partnerships are also possible with co-operative and mutual capital investment partners ranging from financial mutuals (another form of Co-operative) or member-owned super funds to community development finance institutions.

5. Customer Owned Banking and Affordable Home Ownership

Financial mutuals can also assist with affordable housing through the provision of affordable housing loans and a range of other consumer/member focused products. bankmecu, an Australian cooperative bank is a leader in the sector. It has identified affordable housing as a critical issue for customers/members. As a member owned bank, they have responded by providing considerable support to improve housing affordability for low income people.

The bank has provided over \$100m to the community housing sector to increase the supply of safe, secure and affordable housing. One organisation the bank has supported is Women Property Initiatives, who provides long-term safe and secure housing for women and their children, many of whom are escaping domestic violence. Since 2009 bankmecu has provided \$3.4 million in funding to WPI, which has assisted 110 women and children to gain access to affordable rental housing.

The financial mutual sector is a significant player in the provision of affordable housing finance. It is driven by member needs and concern for the community and will continue to support affordable housing in all its forms.



6. Award Winning Affordable Housing

205 Gipps Street in Melbourne is an innovative housing project setting a new benchmark in the delivery of affordable housing. The Common Equity Housing Limited (CEHL) development provides 59 units; 25 of which are co-operative housing and 34 were purchased by private buyers.

The social/private composition of the development has enabled the delivery of affordable housing units on a cash neutral basis (profits from the sale of the private units were channelled into CEHL's capital exposure on the project). Community integration has been encouraged through the purchase of 6 apartments by disability housing providers. These units integrate seamlessly into an otherwise conventional apartment complex.

While private ownership has underpinned the financial viability of the project, the overall delivery has been a resounding success and establishes a clear model for providing social housing in mixed tenure developments. The project was named winner "Best Affordable Development 2013" by the Urban Development Institute of Australia (UDIA).

7. Time to Recognise the Quiet Achievers

Housing co-operatives are the quiet achievers in the housing sector. They have been highly successful in Australia and many other countries and should be seen as a priority for expansion to assist in addressing housing affordability. The inquiry into Home Ownership should recognize that housing co-operatives are key players in the range of responses needed to address Australia's housing affordability crisis.