Rewriting the Australian Dream

Co-operative housing's role in delivering an effective housing system

Submission to the Affordable Housing Working Group, Council on Federal Financial Relations. March 2016

Gipps St, Abbotsford CEHL

COVER LETTER

Dear Chair and Committee Members,

The Business Council of Co-operatives and Mutuals (BCCM), Common Equity Housing Limited (CEHL) and Common Equity NSW welcomes the opportunity to make a submission to the Council on Federal Financial Relations Affordable Housing Working Group on innovative financing models.

We commend the government for its focus on improving the supply of affordable housing, through the introduction of innovative, transformative and implementable financing models.

Australia faces an unprecedented housing affordability crisis. Fresh thinking beyond the status quo is needed to address the affordable housing challenge. The co-operative model has a long history of responding to market failure and delivering housing solutions in a way that optimises returns on investment as well as community outcomes.

Energising the co-operative model to address the shortcomings of the housing system is an indispensable ingredient of reform. The recommendations in this submission offer government the opportunity to amplify the return on investment that providers of co-operative housing already contribute to the pressing issue of ensuring Australians from all walks of life can access affordable housing.

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

Yours faithfully,

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11 March 2016

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11 March 2016

BUSINESS COUNCIL OF CO-OPERATIVES AND MUTUALS

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COMMON EQUITY NEW SOUTH WALES

CEHL
Common Equity Housing Ltd
More Than Just Housing

Submission prepared with the assistance of:

SGS Economics & Planning | Independent insight.

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EXECUTIVE SUMMARY

The Affordable Housing Challenge

Australia faces an unprecedented housing affordability crisis. More home owners and renters experience housing stress than ever before. This undermines the Australian dream of housing security by denying a growing number of households access to adequate housing.

It is clear that the Australian housing system has not evolved to keep pace with changes in the economy and with demographic trends, like ageing in the population. It is estimated that approximately 8% of all Australian households now experience an acute need for an affordable housing response. Furthermore, structural change is needed to reverse the trend toward the concentration of poverty in outer urban and regional areas. The current system is highly inequitable in terms of access to opportunities and places a drag on the economy across the country.

> *The housing system is broken, locking out a legion of households from attaining the Australian Dream. Low income earners fare worst, often living in areas marked by disadvantage in regional towns and the periphery of cities.*

The Affordable Housing Solution

This submission advocates for more flexibility and innovation in the housing market. It argues that the affordable housing challenge should be understood as a continuum, where several players across government, the not for profit sector and the private sector have a role to play. In particular, the delivery of affordable housing in Australia should be underpinned by a broader housing market that operates efficiently and equitably in terms of land supply, development standards and assessment processes, tax policy, rental legislation and with market externalities appropriately managed.

A revitalised and innovative affordable housing system in Australia, as envisaged in the Commonwealth's discussion paper, can be conceptualised as comprising five operative parts. These include; the providers of investment capital to actually build the stock; the provision of some form of Government underwriting or support to bridge the gap between market returns and the yield on affordable housing investments; agents to procure and develop affordable housing; appropriately skilled managers of that housing once delivered; and finally a brokerage function which, through competitive tension, finds innovative ways of combining investors, developers, managers and available government support into cost effective affordable housing supply.

This reframed social housing system can be enabled through six key strategies led by the Commonwealth and delivered through the appropriate COAG forums. The pillars of the six-point plan are:

1. Deliver a contestable **multi-provider system for social and affordable housing** to promote innovation and customer choice, both of which are essential to efficient use of the capital made available by governments;

2. Gradually lift combined Commonwealth and State Government **capital investment in social housing to achieve a social to total housing ratio of 10% by 2030**;
3. Provide **a tax credit and/or a government underwritten (subsidised) housing bond** to support providers of affordable housing, including from the private sector;
4. Entrench **strong prudential supervision arrangements** for the social and affordable housing provider sector, recognising, firstly, that substantial amounts of Government capital will be entrusted to non-government providers and, secondly, that institutional investors will only contemplate large scale involvement in the sector if they are convinced of the financial robustness and management capabilities of not-for-profit providers;
5. Provide appropriate **capacity building programs** to support the not-for-profit sector, as well as private sector providers contemplating involvement in the social housing 'industry;' and
6. Introduce efficient, transparent and modest **reforms in State and Territory planning systems** to support social and affordable housing provision through Inclusionary Zoning, value capture and planning 'incentives', for example reduced car parking or increased density.

Co-operatives as central to the Affordable Housing Solution

Fresh thinking beyond the status quo is needed to address the affordable housing challenge. The co-operative model has a long history of responding to market failure and in delivering public services in a way that optimises returns on investment as well as community outcomes. Energising the co-operative model to address the shortcomings of the housing system is an indispensable ingredient of reform. Co-operative housing can increase supply and diversity of affordable housing stock for low and moderate income groups currently excluded or marginalised in the private market. This submission outlines the comparative benefits of co-operative housing, including the ability to:

- offer flexibility and consumer choice in the housing system, building on considerable track record in co-operative experiences and learning from international cases;
- run a sustainable business model that builds housing market resilience;
- provide affordable housing solutions to a range of household types and across income bands;
- enable a sustainable social mix and mitigate issues associated with the concentration of poverty typical of contemporary social housing through mixed tenure developments;
- deliver better alignment between housing preferences and outcomes;
- guarantee security of tenure to meet the needs of different population cohorts, including older persons and young families seeking permanency in communities;
- negotiate service needs over time, including by working with service providers (e.g. disability, aged care) and through direct self-help and member-based care;
- respond to special needs of members through a people-centred approach, for example in tailoring solutions for people with a disability in line with Government policy (e.g. NDIS);
- bring efficiencies and cost savings to government as one of the most effective forms of social housing (with low vacancy rates, low turnover, high participation in management, etc.);
- reduce welfare dependency through the co-operative model of self-help and community care;
- improve social outcomes by offering human and social capital development, including capacity building for improved labour market engagement; and
- enable growth through mobilising capital investment and cross-subsidisation in mixed development models in an efficient way that optimises outcomes for tenants and communities.

Recommendations

Strategic directions

The co-operative sector's recommendations to the Working Group stem from the analysis in this submission and can be grouped into three strategic directions or themes.

The *first strategic direction* calls for initiatives to improve the resilience and innovation capacity of Australia's housing market generally, by boosting the presence and impact of co-operative tenures. Here the focus is on broadening options for Australians from all walks of life, not just those who might be struggling to gain affordable housing in today's conventional markets due to low income.

As discussed in this submission, co-operative tenure offers a viable and desirable form of secure occupancy as a clear alternative to outright ownership or conventional rental tenancy. Co-operative tenure has demonstrated that it can attract strong participation across the spectrum of the income distribution in other jurisdictions and this latent potential is evident in Australia given the take up of shared equity tenure models in, say, the retirement housing industry.

It is in the nation's interests to unlock this latent potential, following in the footsteps of international models for example in Sweden and Germany. Facilitating a strong and vibrant co-operative sector would inject greater competition into what is currently a 'polarised' housing market for many, either ownership in less than preferred locations achieved at great stress to household finances or private rental tenancy which is relatively costly and insecure. This, in itself, would boost innovation. Moreover, more flexible forms of part ownership or membership/company based tenure can be expected to support labour force mobility which will improve the nimbleness of the Australian economy.

The *second strategic direction* focuses on strengthening the social (non-market) housing system in Australia. The co-operative sector shares the view of many experts that even a highly efficient conventional housing market operating with low transaction costs, low barriers to entry and 'open' supplies of land for housing expansion cannot deliver adequate affordable accommodation for households in the bottom two quintiles of the income distribution. Because of well documented supply side inelasticity, Government reliance on income transfers –such as Commonwealth Rent Assistance– to mitigate after housing cost stress in this range of the income distribution will be ineffective as well as a heavy and ballooning impost on Commonwealth budgets.

The nation needs a revitalised social housing system that enables rapid supply side expansion both through direct investment of public resources and intelligent leverage of institutional and other private capital. This would act as an insurance policy against continuing blow outs in transfer payments to low income households otherwise in serious housing stress.

The *third strategic direction* relates to the specific roles which the co-operative sector can play in this revitalised social housing system. As outlined in this submission, the co-operative sector has special advantages in terms of its brokerage, housing development and housing management capacities. These must be exploited in the interests of a dynamic and innovative social housing system in Australia.

The following recommendations are made:

A better housing market – re-writing the Australian dream

It is recommended that:

1. The Commonwealth develop a co-operative tenure awareness, education and sector development strategy. The objective of the strategy would be to improve understanding of the benefits of the various forms of co-operative housing tenure on the part of 'consumers', developers of housing and the providers of finance for housing. The strategy would need to be cognizant of the relatively underdeveloped co-operative housing sector at present and look to a managed but rapid growth trajectory for the tenure in a diversified mainstream housing market.

A revitalised social housing system

It is recommended that:

2. Through the appropriate forums of COAG, the Commonwealth pursue a reform agenda for social housing enshrined in a long-term and transparent housing plan based on the 6 points outlined in this submission, namely:
    - A contestable multi-provider market in social housing
    - Additional Commonwealth investment
    - Underwriting to mobilise private capital for social housing
    - Improved prudential supervision
    - Capacity building amongst social housing agents, and
    - Value sharing in the planning system to supplement investment in permanent affordable housing

Harnessing the power of co-operatives

It is recommended that:

3. The Commonwealth work with the co-operative sector's peak bodies with the specific objective of rapidly developing brokerage capability in the revitalised social housing system. These brokers would build on the skills, culture and contacts of the co-operative sector to provide an additional cohort of advisers in the market with the capacity to establish practical and sizeable deals under which institutional capital, such as that in superannuation funds, can be teamed with constructers and managers of affordable housing.
4. The Commonwealth establishes a Co-operative Sector Comparator. As a broker with development expertise, he co-operative sector is very well positioned to undertake benchmarking and provide advice on alternative strategies including an understanding of risk. We recommend that a Co-operative Sector Comparator body be established and assigned a role to examine large-scale proposals and consider competitive alternatives for delivering on social housing goals.
5. The Commonwealth incentivises State and Territory Governments to accelerate public housing stock to the community housing sector, with a 10-20% quota to co-operative housing. This can be driven by providing financial incentives (e.g. 15% bonus payment) through the Government's Asset Recycling Initiative Agreement or similar initiative.
6. In recognition of the additional value uniquely offered by co-operative supply and management of affordable housing, the Commonwealth establish an appropriate quota or target for the growth of the co-operative housing sub-sector within the overall social housing system. The co-operative sector would warrant a share of 10% to 20% of any capital and underwriting resource which the Commonwealth might make available for expanded social housing supply via the abovementioned 6 point plan. This is based on the market share (within social housing) already achieved in Victoria – where co-operative social housing is at its strongest– and the known growth potential of the sector as evidenced in international jurisdictions.
7. The Commonwealth support initiatives and proposals emerging from the Co-operative and Mutual Enterprise sector that seek to build a robust housing system, including the removal of policy and taxation barriers that inhibit growth, the transfer of public housing stock to co-operatives and CHOs, the provision of co-operative housing outcomes for people with a disability (refer to Appendix 1) and the allocation of funding to create a smarter housing market that uses technology based solutions to reduce market failures in housing, including a platform to aggregate buyers.

Additionally, we welcome the opportunity for embedding co-operative housing in any proof of concept that rigorously creates evidence of the benefits and outcomes of different financing, ownership and management approaches. For co-operative housing to be able to demonstrate its value we request opportunities to access 10-20% of any new capital created as a result of the introduction of innovative financing models.

SUBMISSION BACKGROUND

Affordable Housing Submission Context

The Australian housing system is failing to meet the needs of many households. The Australian Dream forged in the post-war era was that home-ownership would deliver a better life through housing security. The Dream became reality for many Australian households during the baby boom with manufacturing growth and low unemployment as key drivers of household wealth and housing construction.

However, **the housing system has not responded well to changes in the Australian economy or recent demographic trends**, like ageing. Since peak home ownership rates in 1966 (71.4%), significantly fewer households now own their homes (67% in 2011) (ABS) and many more experience housing stress by spending a disproportionate amount of their income on housing costs. Since the late 1990s, house prices have roughly doubled in most capital cities, but incomes have not increased proportionally.

Similarly, social housing has become a residual tenure; it is now offered as a welfare safety net for society's neediest households. Since 1991 the per cent of Australian households in social housing has declined from 7.1% to 4.8% (ABS). More households are renting in the private market and are dependent on Commonwealth Rent Assistance (CRA). Concentrations of social housing as well as the relegation of low-income earners to underserviced peripheral areas in cities and regions has led to entrenched locational disadvantage in some places. **The current system no longer fulfils its desired function; it is inefficient and inequitable.**

Investment in social housing was wound back from the 1970s partly because there was a widespread belief that incomes would continue to grow and afford access to home ownership for most households. There was also a prevailing view from this period of deregulation and market reform that housing affordability was primarily an income rather than supply issue. That is, Government's best role in addressing housing affordability for low income groups was seen to lay in topping up capacity to pay via CRA and letting households find their own way in the private rental market. Unfortunately, **the supply of affordable rental housing has proven to be highly inelastic and income support solutions have proven to be ineffective and costly.**

Nevertheless, **access to secure housing remains an important vision for the Australian housing system.** Research and government inquiries have highlighted that "access to affordable and quality housing is central for community wellbeing."[1] Secure housing drives a functional economy by ensuring households have stability. There are some incipient trends and initiatives looking to deliver affordable housing solutions for different groups, such as co-housing models, community housing and some retirement village models. However, government policy and market responses have overwhelmingly failed to deliver secure housing to many households over the last two decades.

Australia needs a housing system that can support a greater supply of affordable housing to meet a wide range of needs and to support a productive economy. A working group was created by the Federal Government in January 2016 to identify financing reform models that increase provision of affordable housing (both social and market) for low income households and the best method to deliver an innovative solution to the housing problem.

[1] Productivity Commission Inquiry Report (2004) Chapter 2 – Social aspects of home ownership, First Home Ownership http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Former_Committees/hsaf/report/c02

Submission Focus: the co-operative housing model

Our submission puts forward a comprehensive plan for delivering affordable housing with an important role for the co-operative housing sector. The co-operative sector has established credentials in leading development of new market approaches to address existing challenges. **The co-operative model is viable and proven. It should be expanded as part of a holistic response to the affordable housing challenge**. It is argued that investment in the co-operative sector will enable best use of current public outlays in the affordable housing arena and build capacity for co-operatives to lead change.

Co-operatives offer a different form of home ownership; they are neither private nor public, but provide opportunities for their members to work together to achieve social and economic goals for themselves and their communities. There is a rich history of CMEs forging solutions where markets are flawed or have failed to deliver on household preferences. **A non-speculative, co-operative housing sector can promote affordability and reduce the tendency to boom and bust in the property market.**

The ability for members to own a stake in the enterprise and influence future direction is key to the success of the model. In this way, members invest in their co-operatives and take responsibility for the outcomes they seek. **The co-operative ownership model of a housing co-operative encourages involvement in decision making, governance and sometimes service delivery, which provides opportunities for economic participation and training, and builds social capital.** In this regard, while co-ops clearly need to operate sustainably, profit is not their only motivation; there are broader benefits to communities and governments as a result of the co-operative model.

Millions of Australians form part of co-operative and mutual enterprises (CME), across diverse sectors like banking, superannuation and motorist services. **Co-operative housing is the second largest group of CMEs by number with 213 co-operatives across Australia**.[2] CMEs are strong contributors to the national economy. They are "self-help organisations which bring diversity, competitive forces and consumer choice to markets. They frequently address market failure by enabling smaller market participants, enterprises or individuals, to compete in markets that favour larger entrants."[3]

Co-operative housing has a good track record in delivering long-term, affordable housing solutions for people on low to moderate incomes. **Co-operatives have demonstrated capacity to grow** by assisting governments to respond to a range of priorities and have also demonstrated potential for delivering affordable housing in the most cost effective way compared to other providers. There are international precedents that further highlight the growth potential of co-operative housing. For example, equity co-operatives supply 22% of the entire housing market in Sweden. Both local and international trends provide a foundation to energise the co-operative housing model.

There is a demonstrable appetite for alternative tenure forms in Australia, not just amongst those in the lower reaches of the income distribution. Co-operative development models are emerging for example in several high value property markets where middle income households are pooling resources to construct customised apartments for themselves, capturing the developers margin for profit and risk in the process. Alternative tenure forms have also proliferated in the retirement housing sector.

This submission highlights a pathway for growth in co-operative housing as part of a comprehensive solution to the affordable housing challenge. Co-operative housing in Australia has predominantly been provided as rental housing thus far, though partial and full-equity models do exist. **This submission envisages a future scenario where co-operative housing provides a considerable share of affordable housing.** Indeed, co-operative housing has the potential to provide an alternative and efficient housing tenure for all Australians. It has the potential to rewrite the Australian Dream.

[2] Mazzarol, T. (2015). Purpose, Identity and the member Value Proposition in Co-operative and Mutual Enterprises. UWA Co-operative Enterprise Research Unit: Perth. http://www.cemi.com.au/sites/all/publications/CEMI_DP1501_Mazzarol_2015.pdf

[3] BCCM Pre-Budget Submission (2016)

AUSTRALIA'S AFFORDABLE HOUSING CHALLENGE

[APPROXIMATELY 8% OF AUSTRALIAN HOUSEHOLDS EXPERIENCE AN ACUTE NEED FOR AN AFFORDABLE HOUSING SOLUTION. THE GREATEST DEFICIT OF AFFORDABLE HOUSING IS IN WELL-SERVICED LOCATIONS, OFTEN IN INNER-CITY AREAS.]

Defining affordable housing

The term affordable housing is used "somewhat ambiguously in Australia" (Yates, 2013, p.113) and overlaps with concepts of social, community and public housing (NSW Government, 2014). It is therefore important to outline what these concepts mean in the context of this submission. Put simply, affordable housing can be defined as housing which

- is adequate in standard and location for a lower- or middle-income household; and
- does not cost so much that such a household is unlikely to be able to meet other basic living costs on a sustainable basis.[4]

A commonly accepted affordability benchmark is that housing costs should not exceed 30% of a given household's income, particularly for households whose incomes are in the lowest two income quintiles. Therefore, the affordable housing spectrum is very broad and could encompass a wide range of housing products and tenures for a wide range of population cohorts. However, there is an urgent need to address the severe effects of a lack of affordable supply currently being experienced by very low and low income households across Australia.

While affordable housing can be delivered by any housing developer or provider, where subsidy is required to meet affordability benchmarks, it is often delivered by non-for-profit organisations in a way that reinvests returns for operation and growth rather than profit maximisation. In this way, it is often delivered as 'social' housing. Social housing is understood as "rental housing provided by not-for-profit, non-government or government organisations to assist people who are unable to access suitable accommodation in the private rental market."[5] Currently, there are two main social housing models:

- **Public housing**, which can be understood as "dwellings owned (or leased) and managed by State and Territory housing authorities to provide affordable rental accommodation" (Ibid).
- **Community housing** is predominantly "rental housing provided for low to moderate income or special needs households, managed by community-based organisations that have received a capital or recurrent subsidy from government" (Ibid). "It is often provided by housing associations, *housing cooperatives* or religious or faith based agencies."[6]

In Australia, most co-operative housing models have been developed as part of the social housing system, though they are different to other community housing approaches in some ways. In particular, they are predominantly resident managed rental housing. Co-operative housing also has strong potential to lead the development of effective housing solutions for many households currently not well served by

[4] Disney, J. (2007). Election 2007: Affordable rental housing. University of New South Wales: Sydney. http://www.australianreview.net/digest/2007/election/disney.html

[5] Productivity Commission. (2015). Report on Government Services. http://www.pc.gov.au/research/ongoing/report-on-government-services/2015/housing-and-homelessness/housing/rogs-2015-volumeg-chapter17.pdf

[6] Department of Family and Community Services, NSW Government. (2014). Social Housing in NSW. http://www.facs.nsw.gov.au/__data/assets/file/0009/303030/Social-Housing-in-NSW_Discussion-Paper.pdf

the existing housing market, for example key workers and young professionals and older single women. In this regard, co-operative housing has the potential to address the needs of a wide spectrum of income groups through rental housing, as well as full and shared equity models and mixed development products. This is important not only to respond to the diverse needs of households experiencing affordable housing challenges, but also to promote social mix and the de-stigmatisation of social housing.

Quantifying the affordable housing challenge

Research and government inquiries have sought to quantify the social housing deficit and affordable housing challenge. There is a range of methods and conclusions. This submission draws on research conducted by SGS Economics & Planning to quantify the need for affordable housing in cities.

The following table estimates acute affordable housing need in Australia. It moves from those on no income and statutory incomes, to low and moderate income households likely to have earnings from employment in key sectors. It estimates that approximately 8% of households require a pressing affordable housing solution (in addition to the 4.6% of households already in social housing).[7] Six per cent of this group are in a high need category and would require a deeper subsidy through social housing. Many more households would experience significant quality of life improvements by also accessing affordable housing, though these are not accounted for in the below table.

TABLE 1. SPECTRUM OF ACUTE AFFORDABLE HOUSING NEED, AUSTRALIA

Household Type - Priority for Assistance	Current households (2011)	Percent of all Households (8,339,035)	% for minimum targets	Minimum target	Percent of all households
Homeless households - Improvised dwellings, tents or sleeping out (2011)	6,813	0.1	100%	6,813	0.1
Homeless households - Supported homeless accommodation, staying with other households, boarding houses, temporary lodging, severly crowded dwellings (2011)	37,855	0.5	90%	34,070	0.4
Marginal households - other crowded dwellings, improvised dwellings, caravan parks (2011)	30,132	0.4	85%	25,612	0.3
Low income rental households in severe housing stress (2015)	171,797	2.1	85%	146,027	1.8
Low income rental households in rental stress (2013)	329,833	4.0	85%	280,358	3.4
Remaining very low-moderate income rental households in housing stress (2011)	192,410	2.3	85%	163,549	2.0
TOTAL AFFORDABLE HOUSING NEED	**768,840**	**9.2**	n/a	**656,429**	**7.9**
TOTAL HIGHEST NEED	**576,430**	**6.9**	n/a	**492,880**	**5.9**
Total plus accommodated household in social housing (389,383)	***1,158,223***	**13.9**	n/a	***1,045,812***	**12.5**

Source: SGS Economics & Planning, based on data from ABS 2011 and NAHA statistical reporting 2013, 2015

Based on the distribution of need across the income spectrum, it is possible to classify three core affordable housing need bands in Australia (see Table 2). However, it is also important to factor in specific needs of different population cohorts or households, for example that have members with a disability, with high aged care needs, who are homeless or who have experienced domestic violence. Figure 1 highlights different types of affordable housing responses to suit the three need bands and highlights the depth of subsidy required in relation to low to moderate income households.

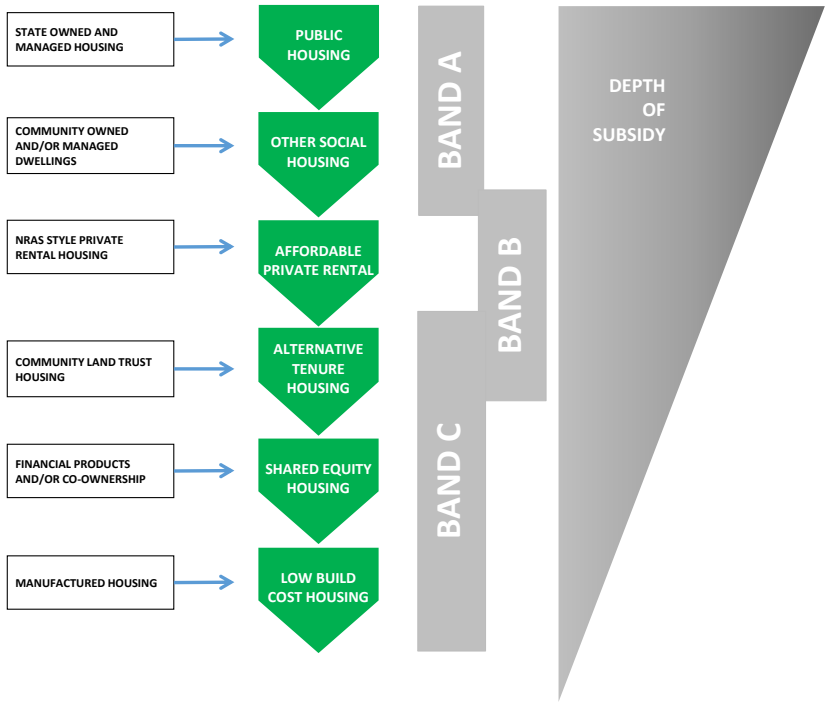
TABLE 2. AFFORDABLE HOUSING NEED BAND ACROSS AUSTRALIA

	Characteristics	Primary need
Band A	People with very low incomes (less than around $38,000) and other physical or social disadvantages (e.g. disability, homelessness) that impede their ability to secure private housing	Suitable social housing with rents set at or below 30% of income
Band B	People with low incomes ($38,000 - $60,500) but who are not otherwise disadvantaged	Affordable private rentals (rents 20% below market levels).
Band C	People on moderate incomes ($60,500 - $91,000) who are unable to access affordable housing in the standard market	Affordable private rentals and/or home ownership

Source: WA Government, adapted by SGS Economics & Planning

[7] For more information on the method for calculating need, please refer to the SGS Economics & Planning submission.

FIGURE 1. TYPOLOGY OF AFFORDABLE HOUSING

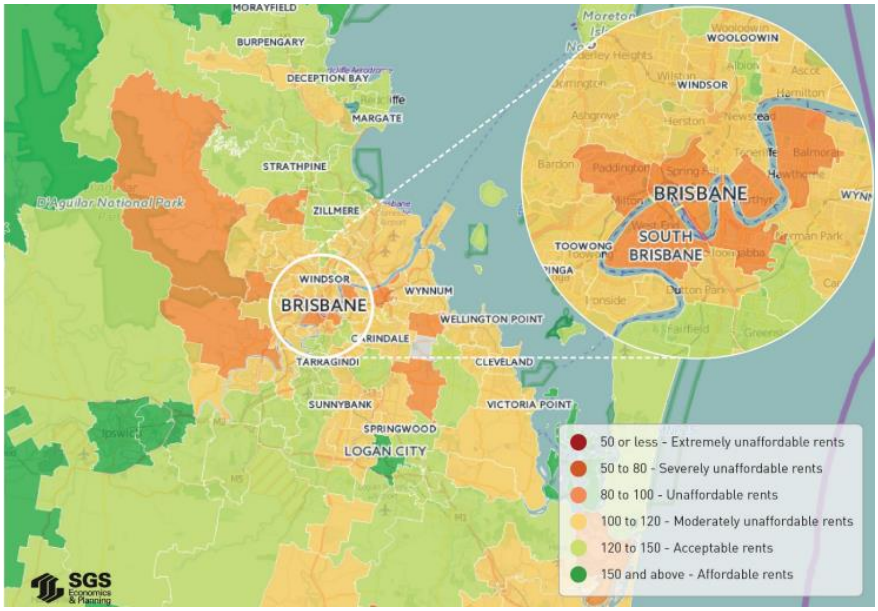


Source: SGS Economics & Planning

The spatial dimension

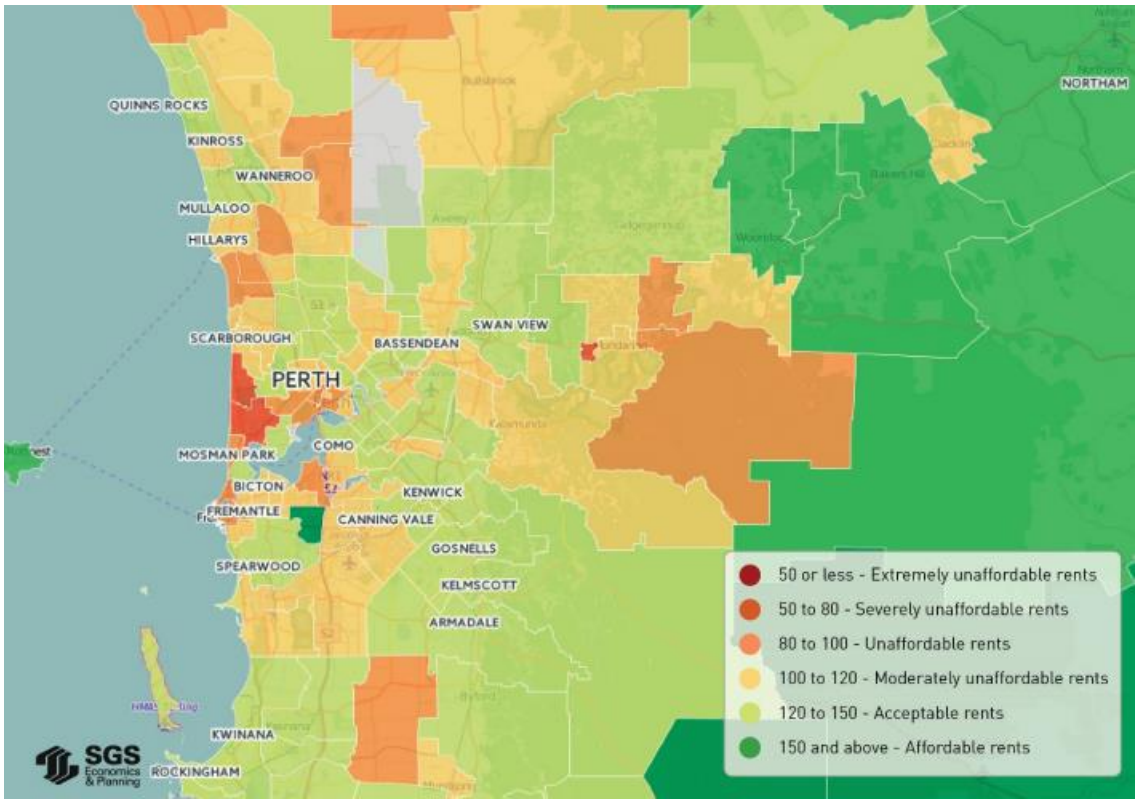
The Rental Affordability Index can be used to provide a spatial dimension to understanding the affordable housing challenge. It highlights how affordable certain neighbourhoods are over time for households that earn an average income. The results highlight that rental properties in desirable, service-rich areas in cities are unaffordable even to households on average incomes. This indicates that the deficit of affordable housing is most acute in these areas and that households on low to moderate income are likely to be excluded from the majority of rental housing on offer in these areas. The below images highlight this across a sample of capital cities.

FIGURE 2. RENTAL AFFORDABILITY IN BRISBANE, 2015



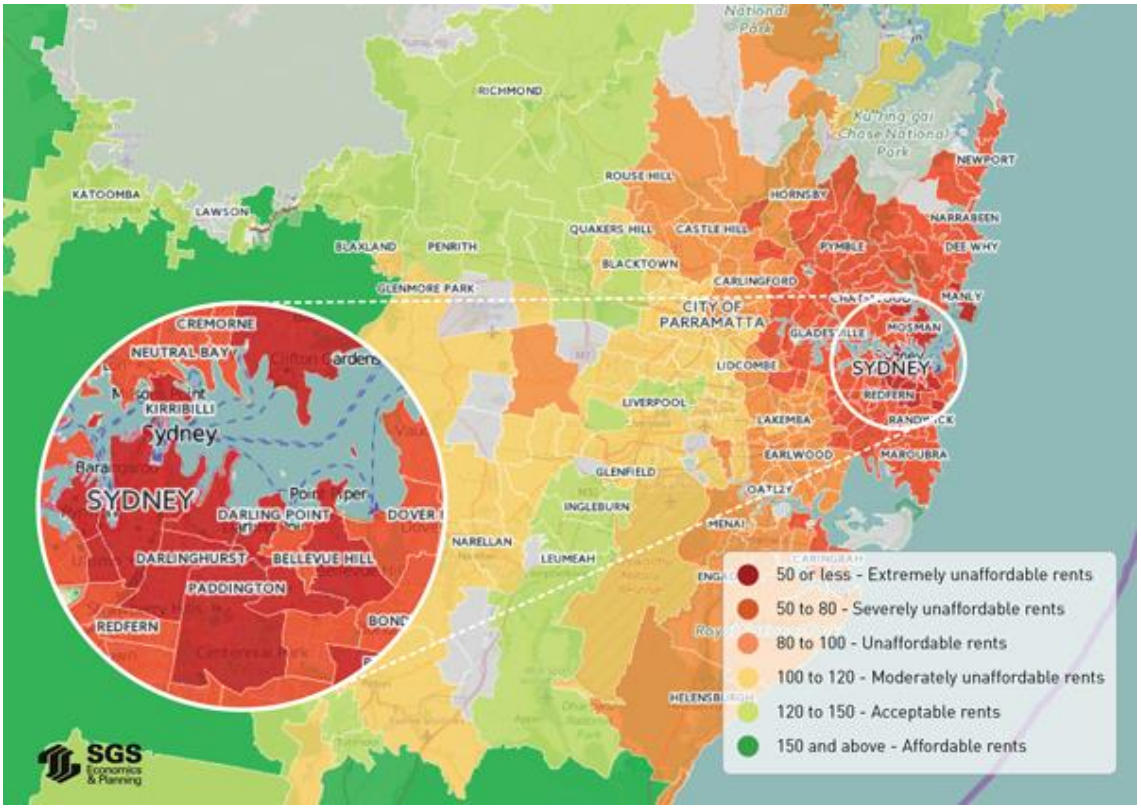
Source: SGS Economics & Planning, 2015

FIGURE 3. RENTAL AFFORDABILITY IN PERTH, 2015



Source: SGS Economics & Planning, 2015

FIGURE 4. RENTAL AFFORDABILITY IN SYDNEY, 2015



Source: SGS Economics & Planning, 2015

Housing markets in Australian cities are now characterised by marked socio-spatial polarisation in which the wealthy locate in the inner areas of cities (reflecting access to high paid employment, public transport and services) whilst the poor disperse to the urban fringe where there is poor access to good employment, little or no public transport and services are lacking. Central business districts are subject to apartment developments reflecting the flow of international capital tied to key rental markets such as students.

There is significant price inflation driven by strong competition for central city locations; tax incentives for investors; and supply shortage which has resulted in the bottom two income quintiles dropping out of home purchase and being squeezed by rising rents at a time when the social housing stock and options for low-cost private rental housing are dwindling.

The supply of low cost private rental housing reflects a stock of housing at the end of its depreciation cycle in localities that are not in demand for home ownership or high-income rental. Mid twentieth century suburbanisation in Australia left a legacy of low cost housing in inner urban areas, which gentrification and a shift in the economy (to CDB services) has now reversed. Low cost rental housing today is found in the middle suburbs (housing that is very poor condition) or on the urban fringe or beyond; but there is limited stock of this type available. Growth area suburbs provide new 'cheap' housing, which is often removed from services and built to a low quality reflecting the tension between cost of supply and the income cohort available to buy/rent.

The key questions therefore are *how to provide new affordable, diverse, quality housing stock in well-located areas to low-moderate income households without adding to inflationary pressures?*

Co-operative housing can provide adequate solutions across the necessary typologies with the significant benefit of providing security of tenure for affordable housing. This provides opportunities for low and moderate income households –including those who don't require government subsidy– to gain security of tenure and therefore control and influence over decisions about their housing. This can deliver locational choice benefits, such as the capacity to age in place or live in close proximity to work.

MEETING THE AFFORDABLE HOUSING CHALLENGE

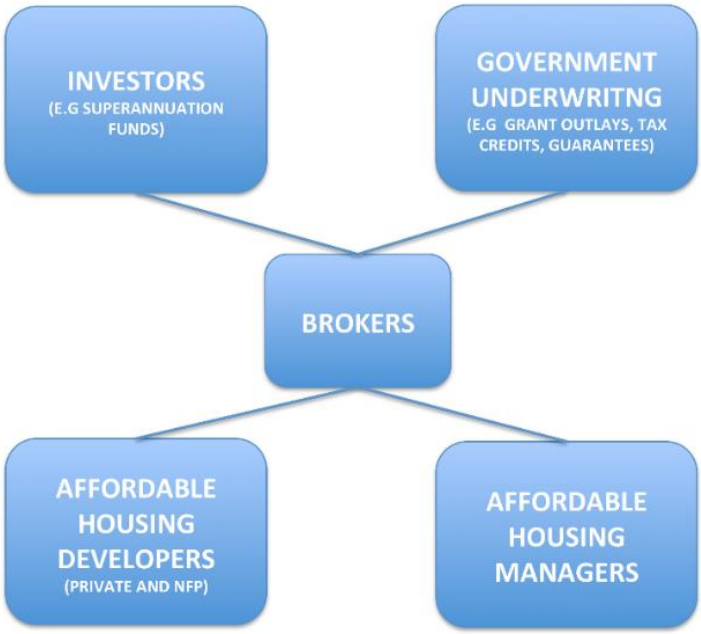
A comprehensive response

It is clear that current market-based models are no longer suitable to meet growing needs. There is a warrant for more innovation in the housing market. While subsidisation can provide some relief from the resultant issues of a poorly structured market, there is also a need to develop a wider range of tenure and housing products to better suit population needs. In this regard, the affordable housing challenge should be understood as a continuum, where several players across government, the not for profit sector and the private sector have a role.

The delivery of affordable housing in Australia should be underpinned by a broader housing market that operates efficiently and equitably in terms of land supply (greenfield and infill), development standards and assessment processes, tax policy and rental legislation and with market externalities appropriately managed.

A revitalised and innovative affordable housing system in Australia, as envisaged in the Commonwealth's discussion paper, can be conceptualised as comprising 5 operative parts. These include; the providers of investment capital to actually build the stock; the provision of some form of Government underwriting or support to bridge the gap between market returns and the yield on affordable housing investments; agents to procure and develop affordable housing; appropriately skilled managers of that housing once delivered; and finally a brokerage function which, through competitive tension, finds innovative ways of combining investors, developers, managers and available government support into cost effective affordable housing supply (see Figure 5).

FIGURE 5. ELEMENTS OF A REVITALISED AFFORDABLE HOUSING SYSTEM



Source: SGS Economics & Planning Pty Ltd

This reframed social housing system can be enabled through 6 key strategies led by the Commonwealth and delivered through the appropriate COAG forums. The pillars of the six-point plan are:

1. Deliver a contestable **multi-provider system for social and affordable housing** to promote innovation and customer choice, both of which are essential to efficient use of the capital made available by governments;
2. Gradually lift combined Commonwealth and State Government **capital investment in social housing to achieve a social to total housing ratio of 10% by 2030.** While lifting the ratio of social housing through direct public investment is important, equally it is essential that private finance is leveraged to meet the growing demand for affordable housing;
3. Provide **a tax credit and/or a government underwritten (subsidised) housing bond** to support providers of affordable housing, including from the private sector. This offers a pathway to overcome barriers to institutional investment in affordable housing, such as risk management and attracting long-term finance;
4. Entrench **strong prudential supervision arrangements** for the social and affordable housing provider sector, recognising, firstly, that substantial amounts of Government capital will be entrusted to non-government providers and, secondly, that institutional investors will only contemplate large scale involvement in the sector if they are convinced of the financial robustness and management capabilities of not-for-profit providers;
5. Provide appropriate **capacity building programs** to support the not-for-profit sector, as well as private sector providers contemplating involvement in the social housing 'industry.' Capacity building programs could be facilitated through existing institutions (such as the Community Housing Industry Association), by a government agency or through a newly created entity that works to skill-up providers in areas like project and financial management in a way that supports best-practice housing delivery and management.
6. Introduce efficient, transparent and modest **reforms in State and Territory planning systems** to support social and affordable housing provision through Inclusionary Zoning, value capture and planning 'incentives', for example reduced car parking or increased density. It is important that reforms not only unbridle potential for increased supply, but address the unequal spatial distribution of affordable housing.

Other reform proposals, such as that developed by the National Affordable Housing Consortium (NAHC), reinforce elements of this six-point plan. For example, NAHC proposes a Social Housing Capital Investment Fund that would deliver necessary capital investment in social housing as well as an Affordable Housing Finance Agency. The key features of the NAHC reform agenda intersect with this six-point plan and are supported by the authors of this submission from the co-operative housing sector.

THE ROLE OF CO-OPERATIVE HOUSING

Co-operative housing as a whole-of-system response

Australia's housing system is impaired and consequently many households face challenges to access affordable housing. Co-operative housing can play a strategic role in meeting the social housing deficit alongside a range of other providers, including the private sector, government and non-government organisations (NGOs) like community housing organisations (CHOs). However, **there are significant comparative advantages to mobilising the co-operative housing sector to deliver affordable housing solutions.** Co-operative housing is a viable and highly desirable vehicle to provide housing solutions across the whole housing system. It has the potential to disrupt adverse trends and create opportunities for more dynamic and flexible housing solutions for any household. This section explores the opportunities presented by co-operative housing to comprehensively address the housing challenge.

Co-operative housing as part of the community housing sector?

Due to the origin of co-operative housing in Australia as well as the strong links to social housing delivery, co-operative housing is often positioned as part of the community housing sector. It both contributes to the community housing offer -comprising approximately 5% of the community housing sector nationally- but also offers points of difference that deliver many benefits to individuals, households, communities and governments. Co-operatives, like community housing organisations (CHOs), offer many benefits such as the ability to attract private finance to redevelop public housing stock, to enable stock growth and to integrate shared and full equity models.

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**. In markets where it has been supported through government policy, it can be market leading, such as in Victoria where CEHL has the largest stock of social housing of all Victorian Community Housing Organisations.

Given the potential of co-operative housing to provide a system-wide response to the affordable housing challenge, as well as rapidly growing demand for innovative housing and tenure models -evidenced for example by growing demand for retirement villages with shared equity models as well as deliberative development and co-housing projects in major cities- it is pertinent to consider the possible role and comparative advantages of co-operative housing.

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. The next section provides more detail on the collateral benefits of co-operative housing. The final section provides recommendations for a way forward that supports accelerated growth of affordable housing by co-operatives.

The added value of co-operatives for affordable housing solutions

There are specific comparative advantages co-op housing offers within the community housing sector and beyond. The international co-operative movement has a long history of addressing market failures, generating new solutions to local problems and leading market change and innovation. For example, the

International Co-operative Alliance has demonstrated that co-operatives are innovation champions, for example in areas across sustainable business models, self-help and banking solutions (ICA, 2014, 2015). The Australian co-operative housing sector is small at present, especially outside Victoria and New South Wales. Nevertheless, **co-operative housing has a long history since its establishment in the 1980s and proven methods which could be rapidly ramped up given the right support and clear policy direction.** The purpose of this section is to highlight some of the advantages gained through co-operative housing.

First, co-operative housing diversifies the affordable housing response in Australian settings. In this way, it **increases consumer choice and builds resilience and flexibility in the housing system** by broadening the continuum of housing solutions. For example, housing tenure diversity can deliver the dynamic response needed for flexible labour markets. CMEs already have considerable scale in the market (i.e. CEHL is the largest registered housing provider in Victoria). Co-operatives are also very well suited to partnering with the private sector in mixed development solutions because they are also businesses. Co-operatives last given the sustainable business model used with wide community buy-in, ensuring ongoing resilience and flexibility in the housing market.

"In respect of the role of CMEs in the delivery of human services, the Panel endorsed the BCCM's White Paper on Public Service Mutuals noting, amongst other matters, their potential to increase diversity in public sector markets, increase consumer choice and control and stimulate public service innovation. It was recognised that developments in other jurisdictions in this sector were the result of public policy and capacity building activities" (Harper Competition Policy Review).

Second, co-operative housing can provide **affordable housing solutions to a range of household types and income bands.** Co-operatives are comprised of a range of lower income 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 financial stress, as well as those on fixed and/or limited incomes. Co-operative housing often includes a broad income range (e.g. 65% lower incomes and 35% higher incomes in NSW), allowing for a more sustainable financial structure for building maintenance and growth. A mix of tenants is critical to ensuring the financial viability of rental housing co-operatives. The diversity in resident groups also enables a sustainable social and income mix; it avoids the concentration of disadvantage. Furthermore, over time and through support provided through the co-operative model some tenants are able to shift into higher rent categories, which increases the possibility to reinvest surpluses. Tried experience demonstrate that the co-operative model delivers **better alignment between housing preferences and outcomes**. In this regard, it also provides a unique opportunity to negotiate household needs over time, for example enabling ageing-in-place.

Co-operative housing delivers **security of tenure** without the cost of individual home ownership or the stress of potential no-fault rental eviction. Like some CHOs, rental co-operative housing is offered for the member's life if desired. There is a clear demand for secure tenure housing in Australia. Standard rental laws do not guarantee security of tenure for renters. This generates problems for some population groups, such as older persons. For this and other reasons (e.g. need to access aged care support) there has been significant growth in retirement village products across Australia.[8] Most residents of retirement villages do not own the freehold title of their property. Instead they access long-term leases or licences which protect residents' rights to decide how long they stay. Co-operative housing also offers long-term tenure security for renters which is highly attractive for different population cohorts, such as older people and families with children in schooling. Unlike retirement villages, all profits are reinvested in improving the amenity of the service (housing) and growing stock. There is no revenue or surplus leakage.

[8] The number of people in retirement villages is expected to more than double over the next ten years to 382,000 (PwC and Property Council of Australia, 2015).

Co-operatives can initiative innovative projects that influence markets. For example, CEHL Victoria initiates significant development projects which have created much needed social and affordable housing as well as stimulating employment. Most recently, CEHL self-funded the purchase of a former primary school in central Geelong (St Mary's) which also encompassed a heritage listed Hall and, secured planning permission to redevelop the site for a mixed use housing development across two stages. Stage One is under construction and due for completion by mid-2016, the project includes 59 apartments, transforming the heritage listed hall for use as a hospital library, research centre and café and renovating the former school building into a community centre. The second stage was permitted for 130 apartments, CEHL has subsequently sold this stage to reinvest into creating further affordable housing and economic stimulus in the Geelong area.

FIGURE 6. INNOVATIVE ST MARY'S CEHL PROJECT

Source: CEHL Victoria, 2016

Co-operatives have proven useful across a range of sectors for **negotiating public service needs over time**, particularly when government systems don't optimally function or it is unprofitable for the private sector to respond.[9] In co-operative housing, the support needs of residents are usually met internally or the co-operative structure brokers access to necessary external support, like age-care packages. Co-operatives have a long track record of working with service providers. This is highly relevant given shifts towards integrated housing and support models as co-operatives already function in this way, pooling the needs of consumers to optimise their purchasing power. These existing systems build self-help and an ethic of care within the co-op community which ultimately reduces reliance on government support.

Where government support is accessed, it is optimally used given the secure housing environment. Recent innovations demonstrate the success of integrated housing and service models, such as the Lakewood Community Managed Co-operative. Since 2011, it has provided housing for low to moderate income households, including people with mental illness and other disabilities, former refugees, indigenous people and older persons. To determine the value of Lakewood to tenant members and government, a social return of investment (SROI) was calculated. For every dollar invested in Lakewood creates an additional $3.78: this equates to almost $3m over five years. Lakewood has delivered a financial return for government in terms of reduced costs of child support services, medical services and

[9] Refer to the BCCM's White Paper on Public Service Mutuals for more information on the comparative advantages of the co-operative model.

by alleviating pressure on the public housing waitlist. Typically, health outcomes are high and demand for health services is reduced across different housing co-operatives. Members are also more likely to have improved employment prospects as a result of pursuing training opportunities and the participatory nature of co-operatives that provides capacity building opportunities.

Co-operatives can offer **a specialised response to particular needs** given the people-centred approach taken, with resident participation and input. This is relevant in responding to policy changes directed to increase support to people, for example, with a disability (e.g. NDIS) or victims of domestic violence. The BCCM submission to the Joint Standing Committee on the NDIS highlights the credibility of the sector in responding to the need for disability accommodation (See Appendix 1). In particular, it highlights capacity in housing delivery and managing, in maintaining tenancies and in support services. Furthermore, co-operative housing can reach diverse locations including in metropolitan and regional Australia. 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 SEDGWICK CO-OPERATIVE EXAMPLE

Sedgwick Co-operative was formed in 2012 and caters for 10 Filipino-Australian households in the 55 years and older aged group. It operates a fully-engaged model of participation and is located in south-west Sydney.

The co-operative devised its own rules in readiness for registration as a co-operative and under the Sedgwick format, each tenant is a member of the Co-operative Board. From this co-operative's perspective, a governance structure where all tenants are part of the governing committee supports a greater level of involvement and decision–making. Sedgwick is operated under the umbrella of Common Equity NSW, which is the registered housing provider. Common Equity provides support and education but also manages compliance, reporting, major maintenance and any new capital developments for the co-operative.

Sedgwick co-operative tenants were all new to co-operative living when they started the co-operative and have quickly learned to manage governance and tenancy issues with input and training from their housing provider, Common Equity NSW Ltd. Tenant members volunteer to assist with the management of functions such as rent collection, new tenant selection and induction, and management of cyclical and responsive maintenance. This encourages involvement but also ensures that key management tasks assigned to the co-operative are handled effectively. Voluntary work by co-operative members maintains the gardens. The co-operative utilises the resources available from Common Equity on tenancy and maintenance matters to ensure they adhere to legislation and other requirements.

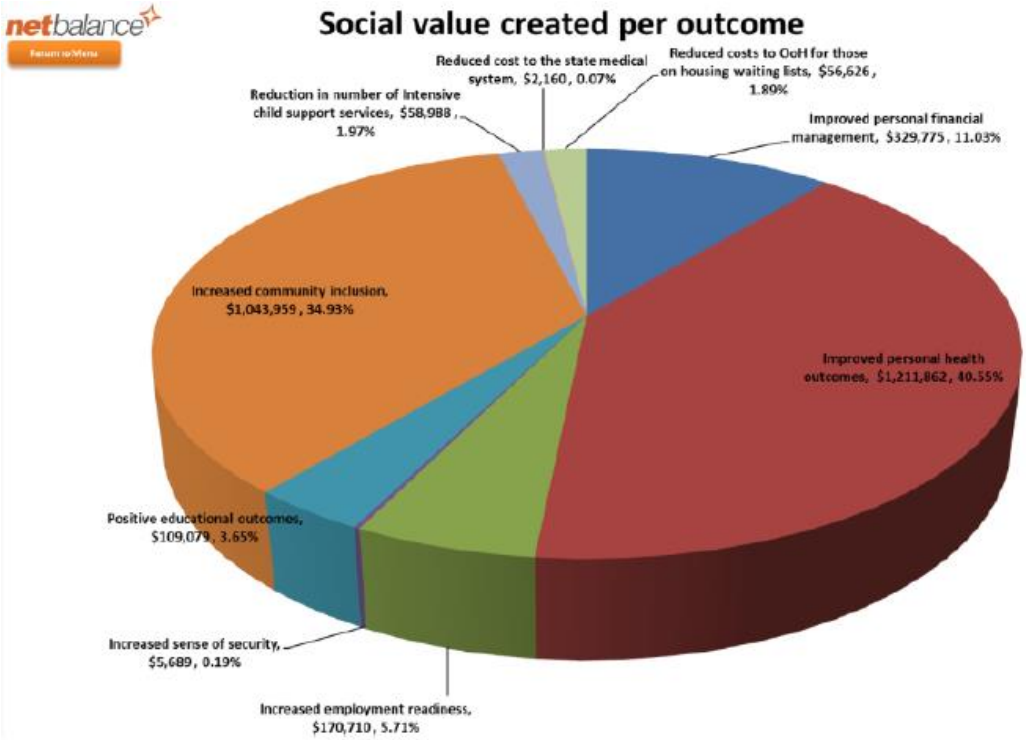
The Sedgwick community has generated a strong social network internally and identifies opportunities for group get-togethers and social events on regular occasions.

"Being part of the co-operative is a positive experience having the feeling of belonging, friendship, caring and helping one another as we share in the responsibilities of managing the co-operative" (Sedgwick Member).

Co-operatives offer **additional efficiencies and cost savings.** Community Equity New South Wales (CENSW) has estimated that housing co-operatives produce savings over ten years per 1000 properties of $4.07 million in comparison with other social housing sector. 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. 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*, following the sale of public housing assets. Research conducted on the Lakewood Co-operative in Victoria highlights the social return on investment (see below figure).

FIGURE 7. SOCIAL VALUE CREATED PER OUTCOME, LAKEWOOD CO-OPERATIVE VIC



Source: CEHL

Co-operatives are very well placed to deliver social outcomes, including reducing disadvantage and poverty compared to other private sector businesses including other non-profit enterprises. **Human capital development and labour market engagement** are enabled through skills building and training. 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. Resident involvement in co-operative housing also stimulates innovation and encourages entrepreneurial expression. Social capital development is built through volunteerism and engagement. Access to secure, affordable long-term housing positively impacts individuals. Secure co-op housing makes it easier to focus on education and job training opportunities, as well as participation in schooling. Social mobility and improved economic and educational attainment are characteristics of cooperative housing tenants.

Overall, co-operative models are based on an ethic of self-help and community care, which builds capacity and reduces welfare dependency. There are greater levels of satisfaction, lower rent arrears, more adequate utilisation of stock and fewer bad debts compared to other housing models. There are total cost savings and benefits to government as flow-on effects of co-operative housing**.** However, the biggest gain for government is in non-housing outcomes derived from the capacity building that comes from involvement in co-operative governance as well as the strong community building, which reduces welfare dependency, improves education and employment outcomes. **Co-operatives are a better investment because of the long term impact a substantial co-op sector can have on individuals, communities and the market.** Their role in the future of Australian service delivery was underscored in the Harper Competition Policy Review: "as user needs and preferences continue to evolve, public service mutuals could play a greater role in meeting individual and community needs, possibly in conjunction with other significant government initiatives."[10]

[10] Harper Competition Policy Review (2015) p.248. http://competitionpolicyreview.gov.au/final-report/

EXPANDING CO-OPERATIVE HOUSING

Growth in Co-operative Housing

Co-operative housing has demonstrated the capacity for growth in Australia. Recently, growth has been enabled by strong governance systems, financial management acumen, capital funding, public housing stock transfers, access to finance and an appetite for growth in co-operatives. The most important factor has been enabling public policy reinforced by political will (i.e. in the transfer of stock to CEHL by the Victorian government which enabled the co-operative to scale and leverage). However, there are barriers to rapidly upscaling the co-operative housing model, including accessing affordable development finance, lack of ongoing stimulus by government and unclear affordable housing policy direction.

The trajectory of growth in co-op housing can be supported and strengthened under a range of scenarios. Importantly, its future growth should take place within a context of housing system reform and be accompanied by a layered response to the affordable housing challenge. As previously mentioned, this comprehensive reform response should:

1. Deliver a contestable **multi-provider system** for social and affordable housing;
2. Gradually lift combined Commonwealth and State Government **capital investment in social housing**
3. Provide a **tax credit** and/or a government underwritten (subsidised) **housing bond** to support providers of affordable housing providers
4. Entrench a strong **prudential supervision** arrangements
5. Provide appropriate **capacity building** programs
6. Introduce efficient, transparent and **modest reforms in State and Territory planning systems**

Within a context of broader reform, the co-operative housing sector can consolidate and diversify existing practices in a way that optimises government-led action on the housing affordability problem. This section outlines the actions to be taken by co-operative housing to increase the offer of affordable housing solutions. It also provides an overview of growth in local co-operatives, as well as local and international trends that highlight the growing need and role for CMEs. The final section of this submission offers recommendations to the Federal Government on the best way forward to enable growth in affordable housing, including by co-operatives.

Deliver mixed housing developments, mixed tenure arrangements

While most co-operative housing is provided to people eligible for public housing, some co-operatives have diversified in recent years in order to raise capital to support their growth agenda. Examples exist of mixed developments with a combination of purchase housing sold on the private market, as well as rental housing administered through the co-op. This enhances growth capacity and is a model currently under expansion in some states.

For example, 205 Gipps Street in Melbourne is an innovative housing project setting a new benchmark in the delivery of affordable housing. This 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).

In the same project, community integration has been encouraged through the purchase of six apartments by disability housing providers. These units integrate seamlessly into an otherwise conventional apartment complex. Private ownership has underpinned the financial viability of the project, and 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). Another example is the Sydney Housing co-op Group and Sydney ECO group, who are presently developing a mixed model with CENSW where some individuals will fund their housing purchase and others will be recipients of subsidised rental housing.

Expand full and shared equity ownership housing solutions

The Australian co-operative sector, coordinated by its peak body, the Business Council of Co-operatives and Mutuals, has developed an equity model[11] and established a national taskforce[12] to oversee implementation of a reform agenda to introduce co-operative housing models into the mainstream housing market. The taskforce has developed model templates for the legal requirements of owners entities, leasehold arrangements and tenancy agreements, conducted market testing to evaluate the demand for shared equity and co-ownership housing models and consulted with potential funding and finance partners including superannuation funds, mutual banks and community development finance institutions.

The BCCM is working with housing researchers at the University of Swinburne, architects and apartment developers to support development finance models (using mutual bank capital) for a new apartment development model that can address cost, supply, design and quality issues that currently mitigate affordability and diversification of apartment product and location. The model uses a smart housing market and is based on proof of concept apartment development, The Commons and Nightingale 1 (by Breathe Architecture), in Brunswick, Melbourne.

The national taskforce is building on an existing trend toward full and shared equity models in co-operative housing. For example, the Narara Eco Village (CENSW) offers a full equity housing co-operative which is seeking the opportunity to include a rental housing co-operative within its boundaries in its second stage of development. While not formally recognised as co-operatives, the expanding 'co-housing' trend through projects like the aforementioned Nightingale and The Commons also highlights a growing demand in the housing market for co-operation in housing design and pooled purchase power to reduce housing purchase costs and deliver a tailored outcome for residents. Similarly, many retirement villages offer alternative tenure arrangements and financing strategies to traditional residential housing estates. One unique example, recently reported in the Financial Review (05.03.16), showcases a crowd-funding platform to raise funds for a $25 million gay and lesbian retirement village in Ballan, Victoria. More traditional models of retirement villages already have a large segment of the market and highlight the demand for affordable, alternative housing solutions.

The BCCM has also supported the development of Australia's first consumer-owned disability housing provider registered under the NDIS. Parent Assisted Residential Accommodation (PaRA) is a Sydney based co-operative that is demonstrating how co-operatives can assist people with disability to build their homeownership over time. A joint ownership model proposed by PaRA would use NDIS funding, combined with resident contributions to gradually increase resident's equity in property by around 5% per year. This model enables NDIS participants to build their equity over time. In PaRA's model, NDIS funding for housing provides a lifetime contribution towards people with disability. PaRA is supporting

[11] See Breaking through the Affordability Ceiling", Executive Briefing, National Affordable Housing Roundtable, 25 February 2014: http://bccm.coop/wp/wp-content/uploads/2014/01/HousingAffordability_EB_V01.pdf

[12] The Equity Housing Taskforce comprises of the following members (see: http://bccm.coop/national-housing-affordability-roundtable/#.Vt_LXeZH7CZ): Louise Crabtree, Research Fellow, University of Western Sydney; Steven Lynch, Community Banking Manager, Bank Australia; Peter Mason, Principal, MK Lawyers; John McInerney, Chair, Community Housing Federation of Australia; Melina Morrison, Chief Executive Officer, Business Council of Co-operatives and Mutuals; Stephen Nash, Managing Director, Common Equity Housing Ltd (CEHL); and Andrea Sharam, Research Fellow, Swinburne University.

other co-operatives to replicate its model and the BCCM supports the expansion of co-operatives that increase the assets of people with disability. PaRA and BCCM have made submissions to the inquiry into Accommodation for People with Disability in the NDIS (See Joint Standing Committee on the National Disability Insurance Scheme in Appendix 1).

Continue to build governance capacity

The use of the co-operative model democratises service delivery as well as provides a highly responsive, accountable and innovative service model (owned and operated by the service clients: tenants). There is significant scope to build on this governance model. The comparative advantage offered through the co-operative model in the era of consumer directed care presents opportunities not only for co-operatives to respond to evolving service needs, but also for housing peaks to expand their services to enable other market segments to develop co-operative housing (should appropriate resourcing be available for peaks like CEHL and CENSW to act as incubators/intermediaries).

Lobby to expand customer-owned banking solutions

Financial mutuals can also assist with affordable housing through the provision of affordable housing loans and a range of other consumer/member focused products. Bank Australia (formerly bankmecu), an Australian co-operative 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, which provides long-term safe and secure housing for women and their children, many of whom are escaping domestic violence. Since 2009 Bank Australia 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.

As previously mentioned, the BCCM is pursuing equity models in partnership with Australia's customer owned banks to create a new affordable housing sector in Australia that can improve access to home ownership whilst delivering social and environmental sustainability in high quality apartment design. The expansion of co-operative housing models will provide a system wide effect of dampening speculation reducing risks for mutual banks and their members.

Peer to peer lending is another disruptive influence. P2P lending is a threat to the traditional mortgage lending model. The development co-operative model espoused in the APO report Making Apartments Affordable[13] argues it is possible to transform apartment provision (the two-sided matching market) without undermining mortgage lending. A two-sided matching market for new apartments is proposed, where demand-side risks can be mitigated via consumer aggregation. Secondly, consumers should be empowered through support for 'deliberative' or 'do-it-yourself' (DIY) development models, in order to increase competition, expand access and promote responsiveness to consumer needs and preferences.

According to a Defence Bank Submission[14] and research conducted by Swinburne University and QUT[15], traditional approaches to providing finance for development limit the potential to diversify housing products and locations. Furthermore, there a limits on affordability. Changes in financing can be the key to the creation of a new development model that can address cost, supply, design and quality issues.

[13] See: http://apo.org.au/files/Resource/making_apartments_affordable-finalfinal.pdf
[14] See: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Cooperatives/Submissions
[15] See: http://apo.org.au/files/Resource/making_apartments_affordable-finalfinal.pdf

Member-owned banking has an opportunity to co-create a new affordable housing sector in Australia that can improve access to home ownership whilst delivering social and environmental sustainability. By engaging in deliberative development, mutual banks can increase their share of the mortgage market and create new profit centres within their businesses.

Successful expansion models

Scaling up is already happening in Australian CMEs. "The combined turnover for the Top 100 Australian CMEs for FY2013/14 was just under $27.8 billion with combined assets of around $111.7 billion… This shows a significant increase over the previous financial year of FY2012/13. The total annual turnover grew by 14% for the Top 100 CMEs while the total combined assets for the group grew by 7% compared to the FY2012/13."[16] The purpose of this section is to showcase the largest example of successful expansion of housing solutions through a co-operative model in Australia (CEHL, Victoria) and to highlight features of larger co-operative models in international contexts.

Growing Co-operative Housing, CEHL Example

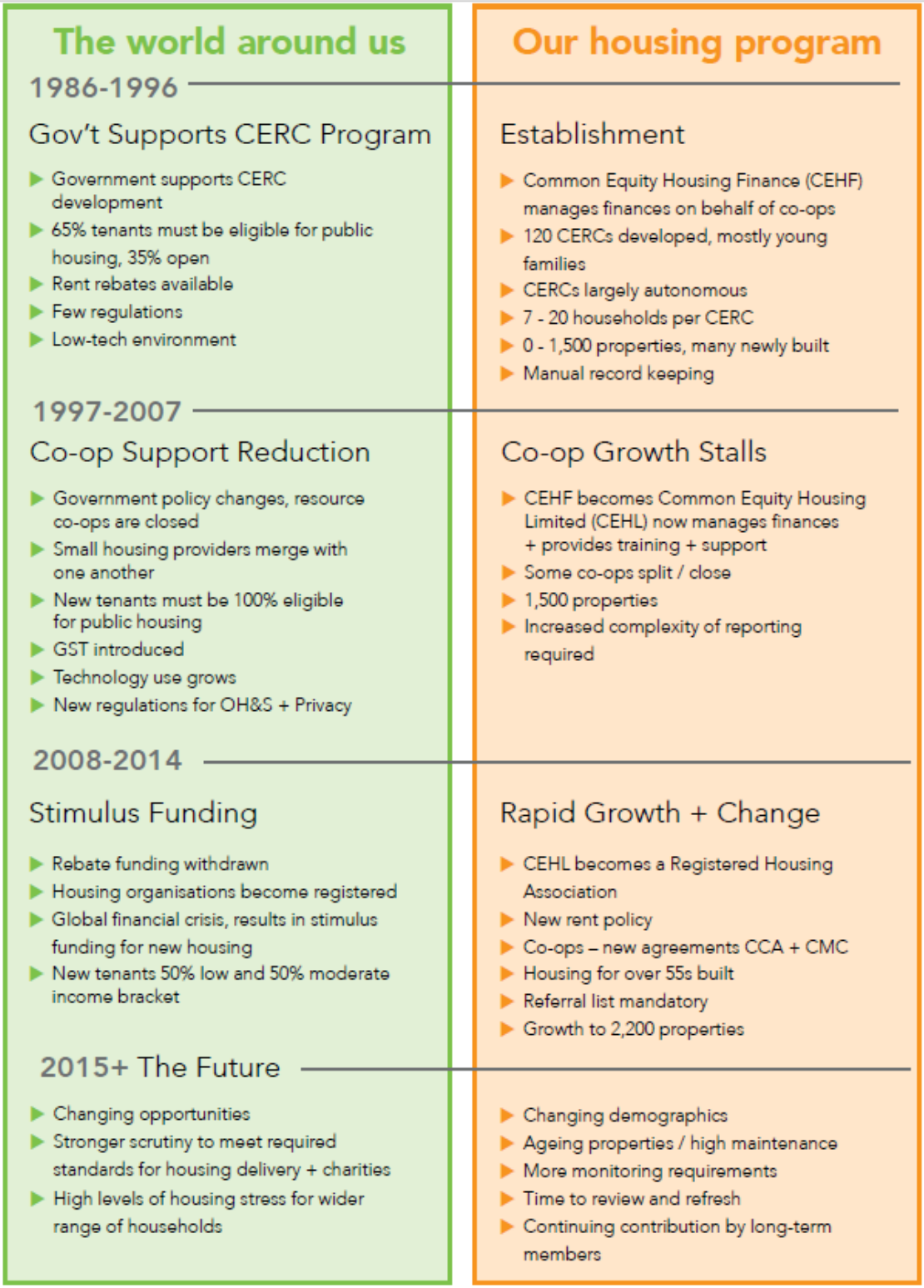
Since being established in the 1980s, Common Equity Housing Limited (CEHL) has diversified (as explained above) and expanded to be one of the nation's largest non-government providers of social housing. It highlights the strengths of co-operatives, including efficiency, individual capacity building, innovation and social capital development. It operates as an umbrella co-operative to 114 separate co-working across different local areas. Following a period of initial growth and consolidation in the 1980s and 1990s, CEHL experienced a period of slower take-up in the early period of the new millennium. This was tied to defunding. The last approximately ten years, especially between 2007 and 2013, has been a period of growth and innovation at CEHL. The growth story of CEHL is summarised in the below infographic.

Growth of affordable housing was facilitated by leveraging investment provided through significant government programs, including the National Building stimulus package, Social Housing Innovations Program and Building Homes Together, as well as cross-subsidisation between purchase housing and co-operative rental housing. The impact of different government programs is highlighted in the below figure in terms of the number of housing units delivered by CEHL by period. The impact of the Social Housing Initiative was greatest.

New small co-operatives were formed as a result of capital grants. CEHL became registered as a Housing Association with the Victorian Housing Registrar and took on new referrals from the public housing waitlist. CEHL also developed and executed a business plan to pursue new housing types through co-operative models, with improvements across reporting and governance. In particular, CEHL has successfully executed mixed tenure developments (e.g. at Gipps St in Abbotsford as previously mentioned). Today, CEHL owns over 2,200 properties across Victoria, with a current value in excess of $700 million, providing housing to over 5,000 people. It receives rental income of $12 million from its co-operatives. It is currently the 38th largest co-operative in Australia.

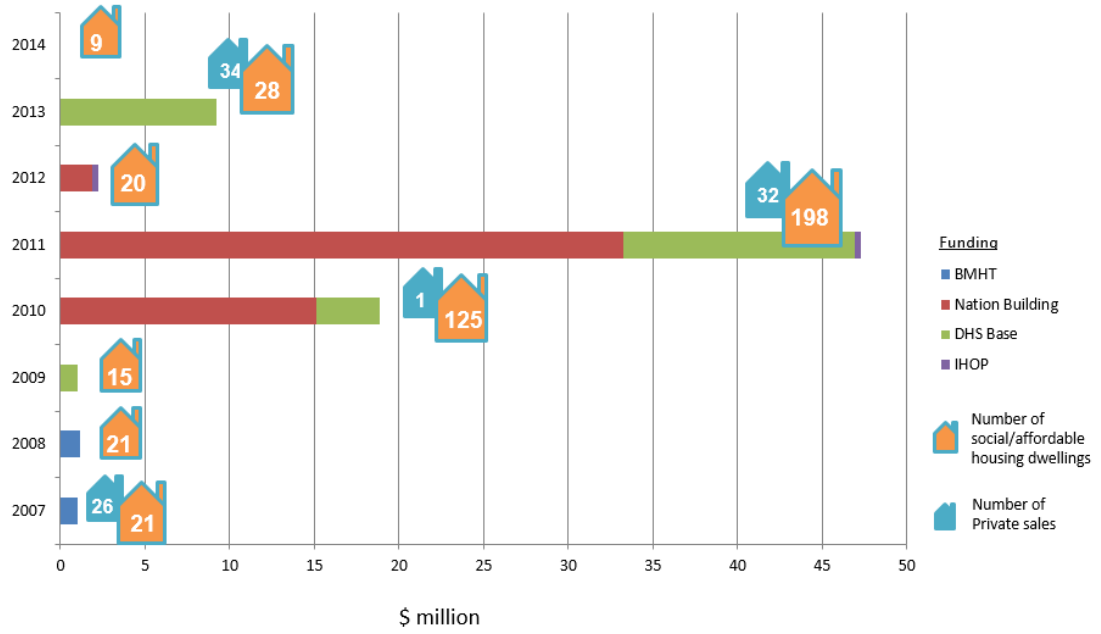
[16] BCCM (2015). National Mutual Economy Report. http://bccm.coop/wp/wp-content/uploads/2015/03/NME-Report-2015_web.pdf

FIGURE 8. CEHL GROWTH STORY



Source: CEHL, 2015

FIGURE 9. CEHL EXPANSION 2007 TO 2013



Source: CEHL, 2014

The CEHL umbrella model highlights the diversity possible within co-operative housing models, from less to more individual co-operative responsibilities (See Figure below).

FIGURE 10. CEHL CO-OPERATIVE MODELS AND POTENTIAL MODELS

Functions	Directly managed		Co-op model: Less Co-op responsibilities → More Co-op responsibilities								
Current model	VicWide				CMC			CERC	RHC	
Co-op registrar compliance	N/a		Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op
Governance responsibility	N/a		Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op
Co-op Policy settings	N/a		Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op
Future Planning	CEHL		Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op
Tenant/Member selection criteria	CEHL		CEHL	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op
Member/ tenant recruitment	CEHL		CEHL	CEHL	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op	Co-op
Tenancy co-ordination & reporting	CEHL		CEHL	CEHL	CEHL	Co-op	Co-op	Co-op	Co-op	Co-op*	Co-op*
Rent collection	CEHL		CEHL	CEHL	CEHL	CEHL	Co-op	Co-op	Co-op	Co-op*	Co-op*
Rent arrears management	CEHL		CEHL	CEHL	CEHL	CEHL	CEHL	Co-op	Co-op	Co-op*	Co-op*
VCAT management	CEHL		CEHL	CEHL	CEHL	CEHL	CEHL	CEHL	Co-op	Co-op*	Co-op*
Maintenance co-ordination & reporting	CEHL		CEHL	CEHL	CEHL	CEHL	Co-op	Co-op	Co-op	Co-op*	Co-op*
Responsive maintenance	CEHL		CEHL	CEHL	CEHL	CEHL	CEHL	Co-op	Co-op	Co-op*	Co-op*
Cyclical maintenance	CEHL		CEHL	CEHL	CEHL	CEHL	CEHL	CEHL	Co-op	Co-op*	Co-op*
structural maintenance	CEHL		CEHL	CEHL	CEHL	CEHL	CEHL	CEHL	CEHL	DHS	Co-op*
Asset ownership & leverage	CEHL		CEHL	CEHL	CEHL	CEHL	CEHL	CEHL	CEHL	DHS	Co-op**
DHS Compliance	CEHL		CEHL	CEHL	CEHL	CEHL	CEHL	CEHL	CEHL	Co-op	Co-op
Housing registrar compliance	CEHL		CEHL	CEHL	CEHL	CEHL	CEHL	CEHL	CEHL	n/a	n/a

Co-op*	= remains a co-op responsibility but function is managed by a paid staff member
Co-op**	= co-op of less than 500 properties unlikely to have capacity to manage this function effectively

Source: CEHL, 2016

Based on the strong track record of growth, CEHL is undertaking two key initiatives to help plan and adapt for the future: Future Directions Project and Program Development Project. Together these initiatives will help to address some emerging challenges and opportunities such as ageing housing stock, changing members' needs, downsizing as members age, alternative funding arrangements and business models to expand affordable housing.

International case studies

Co-operative housing is a successful model for housing in a range of international contexts. In many cases, co-operative housing is regarded as delivering on social and financial objectives. On average, 10% of residents of the European Union live in housing co-operatives. In the UK co-operative managed properties account for around 17% of social housing stock. 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.

Germany (Berlin)
Accounting for nearly 5% of housing stock in Germany, housing co-ops have proven to be effective vehicles to deliver affordable housing for low to medium income earners. The only Federal state financial assistance available to housing co-operatives is the corporate tax relief for rental housing co-operatives. Financial incentive schemes are only dedicated to social housing and housing co-operatives do not use them. Instead, housing co-operatives are exclusively financed through member contributions and mortgages.[17]

To become a member of a housing co-op in Germany residents purchase shares. The cost of shares varies from co-op to co-op. This share is then able to be sold when a member chooses to leave. German co-ops can also include other benefits for members, such as kindergartens and elderly care services. Co-ops determine what they do with surpluses via a general assembly. Shares can be bought in German Co-ops even by non-residents. They can attend the general assembly but have no voting power. They remain entitled to a dividend (usually 4%).

One particular model of owner development constitutes 10 per cent of all housing in Berlin. In this model, consumers form a syndicate, or development cooperative, to jointly finance the development of their housing. The co-operative is terminating at the point of the development completion at which point the purchasers take on the characteristics of free-hold tenure. Enabling factors to growth in Berlin include access to capital through the co-operative banking sector and the development of smart housing markets.

Sweden

Responsible for 22% of housing stock in Sweden, co-ops are widely adopted across the country. Members/tenants pay for around 75-80% of the development costs, and the rest of the financing is raised by the co-op organisations through loans from banks and other financial institutions. There are long wait lists. Government assistance is not offered. However, residents are offered a tax discount of 30% on interest expenditure for loans related to housing co-op shares or new flats. Since deregulation of the co-op housing market in the 90s in Sweden, housing is generally targeted at moderate to higher income households in high demand areas. There are no subsidies (unlike in Norway) for lower income groups. To regain affordability, the co-op sector is developing properties in some areas where purchase costs are capped at the median income band for the area.

Properties are owned by the housing co-ops and all tenants must be members. The co-op Board, which is elected by the members, must approve all membership. However, if an individual is declined membership they can lodge a complaint with the local rent tribunal.

Shareholdings offer members unlimited, perpetual and inheritable tenancy rights. Members are required to pay a monthly fee for maintenance, which is related to the size of the unit occupied. According to Gun-Britt Martensson, former president of HSB Riksforbund, the 535,000-member union of co-ops works "because it provides good quality housing that people are proud to live in." [18]

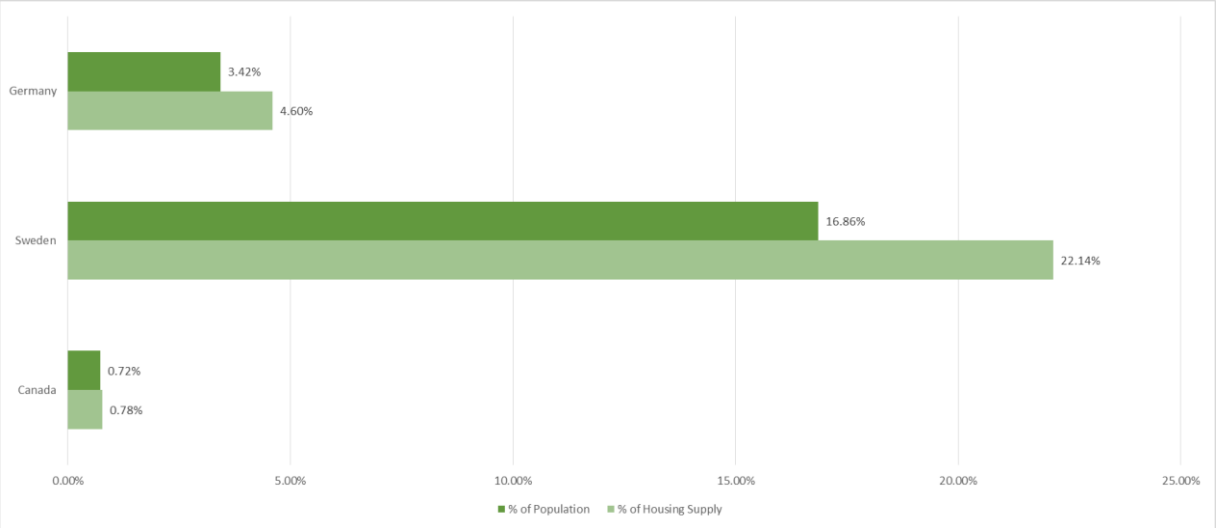
[17] For more information, see: http://www.housinginternational.coop/co-ops/germany

[18] The Guardian. (2007). Mutual Co-operative Housing Benefits. See: http://www.theguardian.com/society/2010/jan/13/mutual-coop-housing-benefits

Canada

Roughly 0.8% of the housing supply in Canada is provided by co-ops. Co-ops finance themselves through rent and with the assistance of low interest loans and grants. The Co-operative housing structure in Canada works on the principle that members own shares but have no claim on the assets owned by the Co-op. This makes co-op housing like a permanent rental program rather than a home ownership system. Members of the Co-ops receive no dividends for owning shares. The Co-ops are strictly not for profit. Rent is paid to cover expenses and nothing more.

FIGURE 11. SIZE OF CO-OPERATIVE HOUSING SECTOR IN GERMANY, SWEDEN AND CANADA



Source: SGS Economics & Planning, based on data from ICA

RECOMMENDATIONS: A WAY FORWARD

Strategic directions

The co-operative sector's recommendations to the Working Group stem from the analysis in this submission and can be grouped into three strategic directions or themes.

The *first strategic direction* calls for initiatives to improve the resilience and innovation capacity of Australia's housing market generally, by boosting the presence and impact of co-operative tenures. Here the focus is on broadening options for Australians from all walks of life, not just those who might be struggling to gain affordable housing in today's conventional markets due to low income.

As discussed in this submission, co-operative tenure offers a viable and desirable form of secure occupancy as a clear alternative to outright ownership or conventional rental tenancy. Co-operative tenure has demonstrated that it can attract strong participation across the spectrum of the income distribution in other jurisdictions and this latent potential is evident in Australia given the take up of shared equity tenure models in, say, the retirement housing industry.

It is in the nation's interests to unlock this latent potential. Facilitating a strong and vibrant co-operative sector would inject greater competition into what is currently a 'polarised' housing market for many – either ownership in less than preferred locations achieved at great stress to household finances or private rental tenancy which is relatively costly and insecure. This, in itself, would boost innovation. Moreover, more flexible forms of part ownership or membership/company based tenure can be expected to support labour force mobility which will improve the nimbleness of the Australian economy.

The *second strategic direction* focusses on strengthening the social (non-market) housing system in Australia. The co-operative sector shares the view of many experts that even a highly efficient conventional housing market operating with low transaction costs, low barriers to entry and 'open' supplies of land for housing expansion cannot deliver adequate affordable accommodation for households in the bottom two quintiles of the income distribution. Because of well documented supply side inelasticity, Government reliance on income transfers – such as Commonwealth Rent Assistance – to mitigate after housing cost stress in this range of the income distribution will be ineffective as well as a heavy and ballooning impost on Commonwealth budgets.

The nation needs a revitalised social housing system that enables rapid supply side expansion both through direct investment of public resources and intelligent leverage of institutional and other private capital. This would act as an insurance policy against continuing blow outs in transfer payments to low income households otherwise in serious housing stress.

The *third strategic direction* relates to the specific roles which the co-operative sector can play in this revitalised social housing system. As outlined in this submission, the co-operative sector has special advantages in terms of its brokerage, housing development and housing management capacities. These must be exploited in the interests of a dynamic and innovative social housing system in Australia.

Recommendations

A better housing market – re-writing the Australian dream

It is recommended that:

1. The Commonwealth develop a co-operative tenure awareness, education and sector development strategy. The objective of the strategy would be to improve understanding of the benefits of the various forms of co-operative housing tenure on the part of 'consumers', developers of housing and the providers of finance for housing. The strategy would need to be cognizant of the relatively underdeveloped co-operative housing sector at present and look to a managed but rapid growth trajectory for the tenure in a diversified mainstream housing market.

A revitalised social housing system

It is recommended that:

2. Through the appropriate forums of COAG, the Commonwealth pursue a reform agenda for social housing enshrined in a long-term and transparent housing plan based on the 6 points outlined in this submission, namely:
    - A contestable multi-provider market in social housing
    - Additional Commonwealth investment
    - Underwriting to mobilise private capital for social housing
    - Improved prudential supervision
    - Capacity building amongst social housing agents, and
    - Value sharing in the planning system to supplement investment in permanent affordable housing

Harnessing the power of co-operatives

It is recommended that:

3. The Commonwealth work with the co-operative sector's peak bodies with the specific objective of rapidly developing brokerage capability in the revitalised social housing system. These brokers would build on the skills, culture and contacts of the co-operative sector to provide an additional cohort of advisers in the market with the capacity to establish practical and sizeable deals under which institutional capital, such as that in superannuation funds, can be teamed with constructers and managers of affordable housing.
4. The Commonwealth establishes a Co-operative Sector Comparator for Large-Scale Proposals. The co-operative sector is very well positioned to undertake benchmarking and provide advice on alternative strategies as a broker with development expertise, including an understanding of risk. We recommend that a Co-operative Sector Comparator body be established and assigned a role to examine large-scale proposals and consider competitive alternatives for delivering on social housing goals.
5. The Commonwealth incentivises State and Territory Governments to accelerate public housing stock to the community housing sector, with a 10-20% quota to co-operative housing. This can be driven by providing financial incentives (e.g. 15% bonus payment) through the Government's Asset Recycling Initiative Agreement or similar initiative.
6. In recognition of the additional value uniquely offered by co-operative supply and management of affordable housing, the Commonwealth establish an appropriate quota or target for the growth of the co-operative housing sub-sector within the overall social housing system. The co-operative sector would warrant a share of 10% to 20% of any capital and underwriting resource which the Commonwealth might make available for expanded social housing supply via the abovementioned 6 point plan. This is based on the market share (within social housing) already achieved in Victoria – where co-operative social housing is at its strongest– and the known growth potential of the sector as evidenced in international jurisdictions.
7. The Commonwealth support initiatives and proposals emerging from the Co-operative and Mutual Enterprise sector that seek to build a robust housing system, including the removal of policy and taxation barriers that inhibit growth, the transfer of public housing stock to co-

operatives and CHOs, the provision of co-operative housing outcomes for people with a disability (refer to Appendix 1) and the allocation of funding to create a smarter housing market that uses technology based solutions to reduce market failures in housing, including a platform to aggregate buyers.

Additionally, we welcome the opportunity for embedding co-operative housing in any proof of concept that rigorously creates evidence of the benefits and outcomes of different financing, ownership and management approaches. For co-operative housing to be able to demonstrate its value we request opportunities to access 10-20% of any new capital created as a result of the introduction of innovative financing models.

Addressing the challenges outlined by the Affordable Housing Working Group requires a bold vision and support and co-operation from all players involved in the delivery of affordable and social housing. Given that it provides substantial benefits to individuals, communities and the economy, co-operative housing needs to be a key component in any proof of concept approach. This will then enable evidence to be generated about the benefits of co-operative housing compared with traditional public and community housing and market provision.

This submission envisages the reinstatement of the Australian Dream through reforming the housing system to meet contemporary needs. In particular, it has focused on the vital role co-operative housing has played in the community housing sector and the potential to capitalise on the strong trajectory of growth to expand the delivery of affordable housing in Australia. In this regard, the Federal Government need not provide unique support to the co-op sector, but recognise that it is an effective driver of market change with strong emphasis on self-sufficiency. Actions taken to reform the housing system should equitably benefit a diverse range of housing provides. Housing co-ops are very well placed to respond to the opportunities created.

Overall, the co-operative housing model offers an innovative and effective response to address part of the affordable housing problem in a way that reduces welfare dependency and improves outcomes in communities. It is a model that reduces the total cost to government given its comprehensive, participatory, people-centred approach.

Appendix 1

Business Council of Co-operatives and Mutuals submission to the Joint Standing Committee on the National Disability Insurance Scheme Accommodation for people with disability in the NDIS

CEHL
Common Equity Housing Ltd
More Than Just Housing

BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Business Council of Co-operatives and Mutuals

Submission to the Joint Standing Committee on the National Disability Insurance Scheme

Accommodation for people with disability in the NDIS

Cover letter

Dear Chair and Committee Members,

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make a submission to the Joint Standing Committee on the National Disability Insurance Scheme regarding housing for people with disability in the NDIS.

The BCCM has previously made a submission to the committee on the role of co-operative and mutual organisations generally in the NDIS. We are pleased to have the opportunity to provide further details on the potential for co-operative and mutual models to contribute to improved housing outcomes for people with disability.

The BCCM works closely with co-operative and mutual organisations that assist people living with disability and those that provide disability support services. The BCCM would welcome the opportunity to discuss any matters raised in this submission should the Committee require.

Yours faithfully,

Melina Morrison
Chief Executive Officer
4 March 2016

About the BCCM

The BCCM is the peak cross-sector body for co-operatives, mutuals and member-owned businesses. Its purpose is to promote recognition of the important role of co-operative and mutual businesses in the economy and community development of Australia.

The sector represented by the BCCM is significant to the Australian economy. Including member owned superannuation funds; the contribution of the sector to GDP in 2012/2013 was 7 per cent. Eight in 10 Australians are members of at least one co-operative or mutually owned organisation.

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1. Summary and recommendations

This submission is made by the BCCM and BCCM member, Common Equity Housing Limited (CEHL) on behalf of Australia's co-operative and mutual businesses[1] and is focused on promoting the role of co-operatives and mutuals for enhancing participant outcomes from the NDIS.

The opportunities for Australians with disability to choose a high quality home that includes them in their community is currently extremely poor. Co-operatives and mutuals can both increase choice and control and improve outcomes for people with disability by:

1. **Creating an alternative path for choice and control.** Co-operatives have participatory governance structures that are critical in housing if NDIS participants cannot have full choice and control over their housing options.
2. **Achieving scale within an NDIS housing market.** Co-operatives can achieve scale without sacrificing choice and control for people with disability because co-operatives are being run by people with disability for people with disability.
3. **Leveraging contributions from family and philanthropy.** Co-operatives can create structures to support joint equity ownership and provide long term housing commitments that enable families to confidently gift housing and assets.
4. **Retaining operational surpluses to be reinvested in people with disability.** Co-operatives ensure that accumulated resources (operational surpluses on the services delivered and ownership of housing) continue to benefit people with disability.

Co-operatives and mutuals provide a unique opportunity to engage NDIS participants in decision-making build their capabilities and increase community inclusion. Yet, the historic isolation and exclusion of people with disability from community life in Australia means that a catalyst is needed to develop co-operatives in the NDIS.

Recommendation #1: Add an additional objective to the NDIS housing framework that NDIS funded housing builds the individual and collective wealth of people with disability.

Recommendation #2: Add an additional objective to the NDIS housing framework that requires NDIS housing projects to involve people with disability in the design and approval process.

Recommendation #3: Empower and support existing group home residents and staff to create in home care co-operatives.

Recommendation #4: Create a co-operative incubator to provide capacity building, technical assistance and mentoring to new co-operatives.

Recommendation #5: Support the establishment of a co-operative Disability Land Trust where land and housing is owned collectively by people with disability into perpetuity.

Recommendation #6: Provide certainty in user cost of capital funding and aggregate payments to allow for housing bonds to be issued.

Recommendation #7: Allocate funding to create a smarter housing market that uses technology based solutions to reduce market failures in disability housing, including a platform to connect tenants to properties.

Recommendation #8: Add a category of *Co-operative Accommodation Providers* as eligible for Specialist Disability Accommodation (SDA) funding. The BCCM supports this recommendation in the submission made by the Para Co-operative to this inquiry.

2. About this submission and co-operatives and mutuals

The purpose of this submission is to provide information on the role of co-operatives and mutuals in the NDIS with particular reference to their role in disability housing. In September 2014, the Federal Minister for Community Services launched the BCCM White Paper *Public Service Mutuals, a third way for delivering public services in Australia.* The White Paper highlights the compelling experience in the UK and elsewhere where co-operatives and mutuals have grown to deliver services in health, social care, disability services, aged care, childcare, emergency services and education.[2]

The UK Government has actively fostered the development of over 100 new mutual organisations (known as Public Service Mutuals) since 2009, now delivering over $1.5 billion of public services.[3] PSM's have generated so much momentum that Francis Maude of the UK Cabinet Office stated in July 2014 that: 'mutuals are the future of public services'.[4]

Recent UK evaluations highlight that mutuals have led to lower production costs and higher productivity. PSMs were also demonstrated to be innovative, profitable and more resilient to changes in the economic climate. They show higher consumer satisfaction, lower absenteeism and sickness rates, less staff turnover, and increased levels of staff commitment to, and enthusiasm for, their work.[5]

In Australia, there are an estimated 1,700 co-operatives and mutual businesses with more than 14 million members. Examples range from large agricultural co-operatives, credit unions and motorists' mutuals to small disability service co-operatives. The unique ownership structure and ethos of serving members first, enables mutuals to deliver services around the needs of people using those services.

The common benefits of mutuals are that they:

- are member owned for member benefit, utilising democratic governance
- promote autonomy and independence of operation
- engage member economic contributions and re-invest operational surpluses
- promote cooperation in the community
- engage in long-term value creation.[6]

Support for co-operative and mutual enterprise (CME) provision of services in Government reviews

Competition Policy Review (Harper Review)

In respect of the role of co-operatives and mutuals in the delivery of human services, the Review Panel endorsed the BCCM's White Paper on Public Service Mutuals noting, amongst other matters, their potential to increase diversity in public sector markets, increase consumer choice and control and stimulate public service innovation. It was recognised that developments in other jurisdictions in this sector were the result of public policy and capacity building activities.

McClure Review of Australia's Welfare System

This review recommended that government "work with the Business Council of Co-operatives and Mutuals, to ensure an enabling regulatory, economic and social environment to support mutuals and co-operatives…" It recognised the significant role CMEs can play in reducing welfare dependency and generating positive social outcomes for people and communities. This ability of CMEs to reduce welfare dependency and generate positive social outcomes is in large part due to the fact that they do not operate with a purely profit motive, and are therefore able to reinvest a proportion of business surpluses to address social issues affecting their local community, especially where these are of concern to their member owners.

3. The current state of disability housing

Creating the right housing options for people with disability has been a difficult goal for governments to achieve, and one that governments have failed to fully realise to date. This is demonstrated by the attention given to the unmet housing needs of people with disability that have been an issue of local, state and national concern for decades.

The BCCM recently hosted a roundtable with the ACT Government and Bank Australia in October 2015 to discuss how co-operative housing models can assist people with disability. Discussions with ACT Ministers Berry and Burch demonstrated the high priority that state and territory governments place on creating new and innovative housing options for people with disability.[7]

The NDIS will undoubtedly improve the housing outcomes for thousands of people with disability across Australia. The focus of the Joint Standing Committee and the sector is on how we can ensure that the NDIS achieves the best possible outcome for people with disability in the short, medium and long term, in a way that is fiscally sustainable.

The BCCM's submission to this inquiry takes a long term perspective on the structures that will create the best outcomes for people with disability. This is appropriate for two reasons. First, housing investments are fixed and have a life of 25-40 years. It's critical we make the right decisions before building more housing stock that will still be serving people with disability in 2040. Second, the NDIS is both about improving the lives of individual Australians with disability and also about removing systemic barriers and improving life outcomes for people with disability across Australia today and into the future. Housing should be considered in this broader view of how it contributes to people with disability achieving their goals and aspirations and being more included in communities today and into the future.

The Specialist Disability Accommodation Pricing Framework agreed by governments is explicit about the unique nature of housing in the NDIS:

> *The NDIS will support a sustainable specialist disability accommodation market that fosters choice and control, encourages innovation, provides options for participants, continuity of supply and financial sustainability for governments, participants and providers.*
>
> *The framework is designed to give effect to the objects of the NDIS Act 2013, in particular, to promote the provision of high quality and innovative supports that enable people with disability to maximise independent lifestyles and full inclusion in the community.*[8]

The BCCM supports these objectives for housing in the NDIS. We believe there are two further objectives that should be explicit goals in the NDIS' approach to housing.

1. **Housing investments should build the individual and collective asset base of people with disability.**
   People with disability in Australia have poor outcomes compared with comparable developed countries. Almost 1 in 2 people with a disability in Australia live in or near poverty (45%), which is more than double the OECD average of 1 in 5 people (20%) with disability living in poverty.[9]
   Any investments by government that create the opportunity to build the wealth and long term financial security of people with disability should be explored in the NDIS. Individual wealth building can occur through joint equity initiatives in housing and

collective wealth building can occur through using co-operatives and mutuals owned by people with disability to own and manage housing.[10]

Parent Assisted Residential Accommodation (PaRA) is a Sydney based co-operative that is demonstrating how co-operatives can assist people with disability build their homeownership over time. PaRA's joint ownership model would use NDIS funding, combined with resident contributions to gradually increase resident's equity in property by around 5% per year. This model enables NDIS participants to build their equity over time. In PaRA's model, NDIS funding for housing provides a lifetime contribution towards people with disability.[11] PaRA is supporting other co-operatives to replicate its model and the BCCM supports the expansion of co-operatives that increase the assets of people with disability. PaRA has made an independent submission to this inquiry.

2. **NDIS participants should exercise choice and control in the process of developing and selecting housing projects funded by the NDIS**
   The NDIS is predicated on choice and control for people with disability. It is critical that housing built for NDIS participants is designed in active and genuine consultation with people with disability. All housing that is registered to receive NDIS funding should have to demonstrate how people with disability—or their families and carers—were involved in decision making about the design and location of the dwelling. This requirement is not needed in the general NDIS market because participants have full choice and control over providers and there are few barriers to entry for new providers. In housing, however, the NDIA and housing providers will be developing the housing options and making decisions about what housing to build. It is critical that the voices of people with disability are front and centre in these conversations about the type of housing that they will be living in. If participants do not have a say in what housing is built, their scope of choice and control will be undermined because it will only allow a choice from the limited options that governments and providers have defined for them.

4. Co-operatives and mutuals: Vehicles for choice and control

Australia's current performance against the objectives governments have set down for disability housing—and BCCM has built on above—is currently extremely poor. Co-operatives and mutuals can both increase choice and control and improve outcomes for people with disability.

Currently, people with disability requiring specialist housing rarely have choice and control over their living arrangements, there is limited innovation and creativity in the housing options for people with disability and housing options continue to segregate and isolate people with disability rather than including them in communities.

With these issues in mind, there are four areas where co-operatives and mutuals will make a significant contribution towards improved housing options for NDIS participants.

Contribution #1: An alternative path for choice and control

The overall NDIS framework assumes that market competition and consumer choice will achieve higher quality and more innovative services that better meet the needs of NDIS participants. Governments have acknowledged that this approach will not be effective in housing and a supply-side solution will be developed for housing with payments directly to housing providers. This is because of the high entry costs for providers to create housing for people with disability and the need for providers to have some degree of certainty over NDIS income prior to investing in housing. Only a relatively small number of NDIS funded dwellings will be built in each suburb, which means that participants will have constrained choices in housing compared with other types of NDIS funded supports.

It is critical that in moving away from direct choice and control for participants that an alternative approach to achieving choice and control is put in place. People with disability must continue to be involved in the design and selection of NDIS housing to ensure that housing meets participant's needs.

Co-operatives and mutuals can provide a different way for participants to exercise choice and control by giving participants the opportunity to play an active role in the decision-making of a housing provider. Participants involved in a co-operative or mutual that provides housing in the NDIS can participate in decisions about what type of housing is built, the structure and design of that housing, where it is built and how it fits within and connects to the broader community.

The BCCM's White Paper on co-operatives and mutuals highlights the role that they play in creating choice and control for members of the community. The White Paper notes that "consumer co-operatives recognise the importance of personal identity in public services. People want to identify with the support they receive and they want it to be culturally relevant". And importantly for the NDIS, co-operatives and mutuals improve people lives through the final service they deliver, but also through the process involved in delivering services. As the white paper says, co-operatives and mutuals "are an outstanding method of developing the capacity of their members to participate in the broader community".[12]

Contribution #2: Creating scale within an NDIS housing market

An efficient NDIS housing market would operate at a scale large enough to lower the cost of finance (the cost of borrowing to buy or build housing) and to reduce the transaction costs involved in designing and building specialist accommodation. While scale has many benefits, operating at scale in housing can be a trade off against having a diversity of housing

providers in the market place and having providers that are large enough to operate efficiently.

Co-operatives and mutuals can help to mitigate the concern that the choice for NDIS will be between a diverse housing market that operates below scale and a market dominated by few big players further reducing choice and control for participants.

Co-operatives and mutuals would be established by people with disability, their families and carers. The democratic foundations of co-operatives means that the market place can be made up of a smaller number of providers without sacrificing choice and control for people with disability. This is because the co-operatives in the marketplace are being run by people with disability for people with disability.

Co-operatives and mutuals therefore provide a way for the NDIS to achieve scale in NDIS housing while maximising the choice and control for people with disability.

Contribution #3: Leverage contributions from family and philanthropy

Co-operative housing organisations can provide a guarantee that contributions made to the co-operative will benefit people with disability into the long term. This commitment to long term housing security, and a mission that is exclusively focused on people with disability, can encourage contributions from family and philanthropy to assist people with disability to access housing.

Co-operatives can structure attractive options for families that can unlock capital to contribute towards their children's housing needs. Many families with the capacity to contribute to their child's housing have been frustrated by the lack of structures to engage in joint equity ownership or the lack of security once assets are gifted to a housing provider. A co-operative structure can overcome these problems by creating structures to support joint equity ownership and providing long term housing commitments that enable families to confidently gift housing and assets.

Contribution #4: Retaining operational surpluses to be reinvested in people with disability

Housing funding provided in the NDIS will ultimately enable providers to accumulate excess resources – both through operational surpluses made on the services they deliver and through the ownership of housing purchased with NDIS funding.

Co-operatives and mutuals ensure that these operational surpluses are reinvested in people with disability, and any assets accumulated through NDIS housing funding are retained by people with disability for the long term. Non-government organisations with a broader social purpose may choose to reallocate these resources to other groups in need, which is their prerogative given they have a broader mission that extends beyond people with disability.

Yet co-operatives and mutuals established by people with disability will ensure that these resources continue to benefit people with disability into the long term.

5. Roles of co-operatives and mutuals in NDIS housing

Co-operatives and mutuals are generally divided into three main types and each one of these types can play a role in improving accommodation options in the NDIS. In this section we have highlighted the type of services that each of the three types of co-operatives can most usefully provide in the NDIS.

Co-operative type	*NDIS services*
Consumer Co-operatives	• *Owning, building and managing housing* • *Delivering accommodation support services* • *Developing aspirations, finding accommodation and maintaining tenancies*:
Staff Co-operatives	• *Delivering accommodation support services*
Enterprise Co-operatives	• *Supporting smaller organisations to deliver in-home care* • *Owning, building and managing housing*

Consumer co-operatives

Consumer co-operatives are operated by the service recipients to provide services that their community require. Service users are involved in the organisation's governance and decision making, enabling a high level of input into the design and delivery of services.

Owning, building and managing housing: Consumer co-operatives would provide people with disability a high degree of choice and control over the types of accommodation build and ensure that any property acquired using NDIS funds benefits people with disability into the long term.

Delivering accommodation support services: Consumer co-operatives are a natural development from the current huge range of peer led disability support groups and organisations that have developed throughout Australia.

Developing aspirations, finding accommodation and maintaining tenancies: Empowering people with disability to live independently will require assistance for people to fully develop their goals and aspirations, and then get the support they need to search for housing, obtain the right housing and then maintain their tenancy. A consumer co-operative could provide a

true empowerment model, where people with disability own and operate a co-operative that helps them to develop their aspirations and successfully navigate the rental market.

Staff co-operatives

Staff co-operatives are owned by their employees who have a high degree of autonomy and control over their work. Staff are involved as both employees within the organisation as well as making decisions about the strategic direction and governance of the organisation.

Delivering accommodation support services: Within NDIS housing, staff co-operatives are ideally suited to provide assistance with daily living activities to people with disability within their homes. Staff co-operatives could prove particularly effective in rural, CALD and Indigenous communities where local and culturally appropriate responses are essential and staff attraction and retention has proven problematic.

Enterprise co-operatives

An Enterprise Co-operative is a grouping of organisations that voluntarily come together for mutual business related support, such as sharing corporate functions including bulk purchasing, accounting, HR, marketing, client software and OH&S services.

Owning, building and managing housing: Enterprise co-operatives are very well suited for smaller accommodation providers who face higher costs in managing their properties because they lack economies of scale. Further, current accommodation providers may wish to focus on delivering support services but do not want to fully relinquish their housing assets. Accommodation providers could come together to establish an enterprise co-operative to manage property contributed by the co-operative's members.

5a. NDIS Area 1: Owning, building and managing housing

Co-operative housing in the NDIS offers a pathway to independence built on co-design and collaboration. The co-operative approach to housing creates a unique relationship where members have a stake in the shared human, social and financial capital created by the co-operative.

Co-operative housing is an ideal fit with the NDIS, the sector can deliver scalable models that can leverage family and other contributions through equity co-operatives (see Attachment 2). It offers a pathway to independence built on co-design and collaboration. Co-operative housing is inclusive, supports accessibility and diversity and enhances participant choice and control.

What is co-operative housing?

The co-operative approach to housing creates a unique relationship where members have a stake in the shared value created by the co-operative. In a housing co-operative, members play a key role in its management, governance and strategic direction, and can choose the

level of involvement they wish to have in delivering the day-to-day activities of the organisation.

Housing co-operatives are underpinned by the international principles of co-operation. These are described by the International Co-operative Alliance as: voluntary and open membership, democratic member control, member economic participation, autonomy, education and training, co-operation among co-operatives and concern for community.[13] Within this framework, housing co-operatives establish their own rules and by-laws. Co-operative housing providers operate within the same compliance and probity frameworks as other community housing providers.

Co-operative housing can either be rental housing or based on a wide range of co-operative ownership models (see Attachment 2). Research on Australian housing co-operatives has identified around 4,800 co-operative dwellings, comprising around 10% of the community housing sector.[14]

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 the capacity to raise finance against its property asset base, co-operatives have been able to significantly expand housing stock.

Benefits of Co-operative Housing

Housing co-operatives are a leading example of the ability of public service mutuals to create and retain shared value in the NDIS by developing human, social and financial capital.

- **Co-operatives assist participants to learn skills, gain self esteem and dignity**, participate in local communities and achieve successes in other facets of their lives. Co-operatives provide long term housing security for people with disability and this security, combined with active participation in the housing co-operative, builds people skills and capabilities.
- **Empowering local communities to manage their own housing solutions** is a key concept underlying co-operative housing. Co-operatives empower groups of people with disability to decide what housing they need and control the design and selection of housing that best meets their needs.
- **Stable and affordable housing** also makes it easier for participants to focus on education and job training opportunities, with 59% of co-operative housing tenants reporting the commencement or continuation of training and 50% demonstrating an improvement in their job situation.[15]
- **Successful track record managing housing.** Co-operative housing 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.[16]

- **Leveraging non-NDIS contributions**. Parental contributions can be leveraged through co-operatives in ways that are difficult to achieve through other types of housing ownership and management. Parents can work together to establish a co-operative where their contributions to a child's housing directly benefit their child. Housing co-operatives that can encourage parental contributions can help to reduce requirements of the NDIS and assist in providing long term housing security for people with disability.

Case Study: Common Equity Housing Limited

Not for profit co-operative housing developers have consistently demonstrated they offer positive mixed communities with mixed tenure. They have the ability to attract private finance to develop housing stock and can return operational surpluses to offset the cost of the social (co-operative) housing stock retained.

Common Equity Housing Limited (CEHL) is Australia's leading provider of co-operative managed community housing, providing affordable housing to around 2,200 Victorian households.

An enterprise co-operative that provides housing services to member co-operatives

CEHL is a unique model that can incorporate social housing in a wider housing programme - effectively a "co-operative of co-operatives". The 112 separate rental-housing co-operatives that form its members are supported by CEHL with asset management, finance and co-operative development.

CEHL has a large and diverse housing portfolio - it includes single dwelling housing for people of low incomes to include mixed housing tenure and multi-level developments. Tenants come from all walks of life - including families, single parents, retirees, cultural and linguistically diverse groups and people with a disability.

CEHL is owned by its member co-operatives for their benefit. This means that operational surpluses are re-invested into the business to improve housing stock, build new developments or to save for future expenses

Enabling expertise to be developed while empowering local communities

CEHL has developed expertise in assisting member co-operatives to operate effectively and to design appropriate housing for a diverse range of consumer groups. CEHL has won numerous awards for its development of sustainable housing that also incorporates disability appropriate housing.

CEHL is more than just housing – at the heart of its success lies its ability to actively engage with and harness the energy and skills of tenants themselves. It aims not just to build and maintain homes and sustain successful tenancies but also to empower individuals and create stronger communities.

This means that CEHL combines the best of both worlds – being responsive and accountable to the needs of individuals and local communities while providing the collective support and financial backing of a substantial and professional public service mutual. It also enables CEHL to respect the independence of individual co-operatives to make decisions which affect their communities and actively engage them in decision making at both the strategy and operations level.

Case Study: CEHL & the Summer Foundation

Common Equity Housing (CEHL), the Summer Foundation and the Transport Accident Commission (TAC) created a new benchmark in innovative affordable and accessible housing for people with disability. The development at Gipps Street, Abbotsford, an inner Melbourne suburb, provides housing for a broad range of community members. This development includes six apartments specifically designed for tenants with disability, which are owned by TAC (4 apartments) and the Summer Foundation (2 apartments).

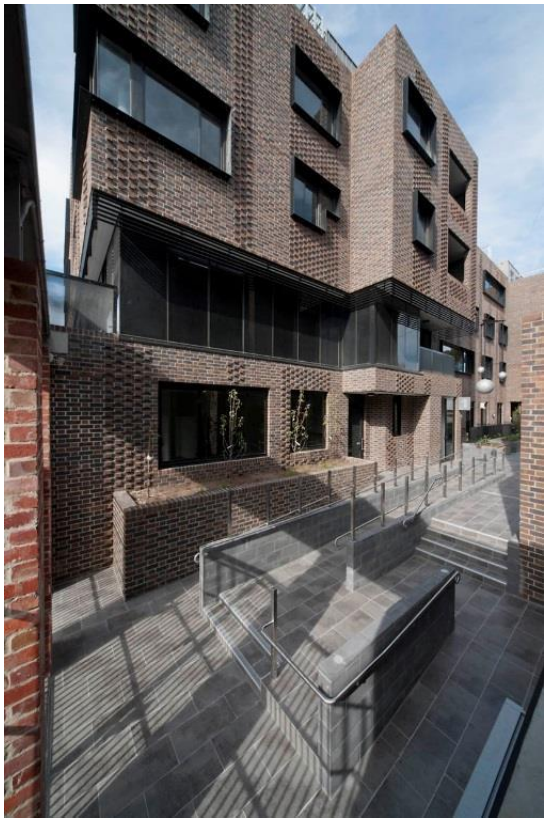
The apartments include smart home technologies that residents can use to control the systems in the house through a smart phone or tablet, including turning lights on and off, controlling air conditioning, and opening doors and windows. There is also a support worker on site 24 hours every day who the residents can call on for assistance. The accessible design and support model in these apartments has enabled young people who formerly lived in residential aged care facilities to now live independently.

A mixed social/private development of 59 apartments, 33 owned for community housing and 26 owned by private owners and investors. The bulk of the community housing apartments are owned and managed by CEHL under a co-operative housing structure for lower income tenants. 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 affordable housing in mixed tenure developments into the future.

Bree has been living in her apartment for nearly two years and is immensely proud of living independently. “Words cannot explain how thrilled I am to have a place to call my own home. The best thing has been to prove to myself and my family that I can live independently. I have done more than I could have ever imaged. I have lived by my motto ‘You’re not going to know until you try.’

CEHL is currently developing a new affordable housing and commercial project at St Mary’s Terrace in central Geelong comprising heritage restoration works, a Community Hub and a

total of 59 six star rated housing units (including 13 affordable units), scheduled for completion in mid-2016. The project has been funded from a variety of sources (including The Victorian Property Fund and the sale of 46 apartments to Barwon Health). The project has been endorsed by the City of Greater Geelong as a highly valued urban renewal initiative.



Common Equity Housing Limited
Ownership of housing
Funding Support for Housing Co-ops
Co-operative Housing Programme Management
Head lease of property
Membership of CEHL
Housing Co-operatives (114)
Management of housing
Access to housing and co-op membership
Influence the future of the CEHL programme through voting rights
Tenancy agreement
Membership of co-operative
Co-operative members/tenants
Tenancy obligations
Participate in work of co-operative
Participation in governance as member and through board of management

Disability Land Trust: A co-operative model for the NDIS

CEHL's success in bringing together property ownership and management for many smaller co-operatives has demonstrated that a co-operative model can achieve scale while maintaining the independence and empowerment of local communities.

A similar model could be established in the NDIS to both create scale in housing and give people with disability a much stronger role in designing the housing that they need. This model would create a Disability Land Trust—structured as a co-operative—that held land in perpetuity for the benefit of people with disability. The funding it received from NDIS specialist housing payments would be reinvested to grow the housing assets held by the co-operative and therefore able to support more people with disability over time.

A Disability Land Trust would own the land that disability housing is built on. The co-operative would build housing on the land and head lease these properties to local, community-run disability housing co-operatives for fixed periods. The Disability Land Trust could be a community housing organisation or a new co-operative run by people with disability and their families.

It is important to note that the trust can be structured in such a way that enables a range of products to be developed to create mixed communities, promoting integrated communities and mixed tenure.

The Disability Land Trust would be structured as a co-operative. The members of the co-operative would be people with disability and their families. The Trust's Board would be comprised of people with disability and their families, technical experts in finance and property management along with representatives of housing providers who head lease the Trusts' properties. People with disability and their families would therefore have an active role within the co-operative in deciding where properties are built and selecting the housing providers that would be head leasing the properties.[17]

This model would create four benefits that we are unlikely to see in the current system.

1. **Preserves housing options for people with disability into perpetuity**. The co-operative would ensure that every property effectively developed by NDIS funding continues to benefit people with disability into the long term and is not reallocated to other purposes.
2. **Scale for investment.** Aggregating together the land and housing for disability housing will generate greater interest from investors (Superannuation funds for example) and lower the cost of finance. If land was to be separately contributed to the Trust from other areas of Government (Local Council or State Government), so that the NDIS stream only effectively funded construction costs, greater leverage

would be achieved for the NDIS dollar, but this would require land valued at some $3 billion across Australia

3. **Enable contributions from families, governments and philanthropy**. A Land Trust will be able to tap into the huge community goodwill towards improving housing options for people with disability. The Trust can provide a guarantee that a family member with disability will continue to be supported by the Trust for their lifetime.
4. **Contribute towards housing for all people with disability.** The co-operative can better leverage the limited NDIS funds to generate housing for more than just the 28,000 people identified by the NDIS. This is achieved by surpluses from operating at a more efficient scale and drawing on contributions from families, governments and philanthropy.

Community Land Trusts are a large part of the affordable housing sector in the United States and the United Kingdom. Momentum has been building for Community Land Trusts in Australia. Dr Louise Crabtree at the at the University of Western Sydney has been leading work on the role that land trusts can play in building long term community assets. *The Australian Community Land Trust Manual* published by Dr Crabtree and others[18] is a significant step forward in building the knowledge base for land trusts to be expended in Australia. The research published by the Australian Housing and Urban Research Institute (AHURI) into the principles underpinning land trusts in 2015[19] is also contributing to this growing movement to establish a community land trust co-operative in Australia.

Further detail on a co-operative to own land in the NDIS is provided at Attachment 3.

5b. NDIS Area #2: Delivering accommodation support services

There is widespread fear emerging that many smaller yet highly effective disability support organisations may not survive in the NDIS if they are competing against larger organisations with economies of scale. Co-operatives and mutuals can help to foster a more vibrant service sector with options that meet the needs of people with disability.

The JSC has heard concern throughout its hearings that larger organisations are likely to replace smaller local groups with long held relationships, local knowledge and specialist expertise. Many local people and organisations are becoming increasingly concerned over what may be lost to civil society as a result of the NDIS reforms and industry restructuring.[20]

Consumer co-operatives delivering in-home care

Individualised funding and consumer direction is well-suited to consumer owned co-operatives where people with disabilities and their families can have more choice and control about how they are supported to live independently.

Consumer co-operatives would bring together people with disability to commission support services delivered to members of the co-operative. Co-operatives can achieve this by employing workers directly, or by contracting with support service providers.

This model would increase the choice and control that people with disability have over their support services. Instead of individual NDIS participants negotiating with workers or support service organisations, the co-operative would empower people with disability to set the policies, procedures and culture if employing staff directly or increase the ability to negotiate with providers if it was contracting services.

Consumer co-operatives can result in a higher proportion of personalised budgets going directly to the budget for support care, by removing the need for an intermediary organisation to organise the care, which takes an administrative fee for this service.

Staff co-operatives delivering in-home care

In an industry known for its low pay, ad hoc service delivery, poor working conditions and high staff turnover; staff owned co-operatives are also able to provide unique working environments where members can be directly involved in running the business.

It is this worker/member engagement and autonomy and re-investment of operational surpluses which sets co-operatives apart from existing publicly and privately run disability service providers. By creating an empowering and autonomous work environment; innovation, job satisfaction and staff retention increases. As a result, the quality and consistency of services provided to participants will improve along with staff health, wellbeing and loyalty.

These models can work well in two scenarios in the NDIS. The first is during service transitions where governments or organisations choose to no longer deliver in home care services. The organisation's staff can come together and form a co-operative to continue to provide support to participants who they have already built a strong relationship with. The second scenario is in home care workers coming together to form co-operatives with fewer overheads that can then provide higher quality services or lower cost services. These co-operatives enable staff to use their initiative and entrepreneurialism to tailor services to the needs of participants without the restrictions and innovation stifling that can come with larger providers.

Enterprise co-operatives supporting smaller organisations to deliver in-home care

Enterprise co-operatives can support smaller disability providers to compete and thrive through co-operation and mutual benefit. Enterprise co-operatives assist smaller and specialist organisations to develop back of house economies of scale, retain local networks and keep jobs local.

5c. NDIS Area #3: Developing aspirations, finding accommodation and maintaining tenancies

Co-operatives have shown that finding the right home is about more than just creating bricks and mortar solutions. This is especially true for people with disability. The empowerment model embedded within co-operatives makes them very well suited to developing the capability and skills of members, including through peer-to-peer services.[21]

Finding the right home means that people with disability have the time and support to think carefully about their housing goals and aspirations. The lack of diversity of housing options in Australia has restricted the aspirations of many people with disability and families to group home models. The NDIS will give people with disability an incredible opportunity to exercise choice about where they live, who they live with and how they are supported. Making the most of this choice—after decades of almost no choice—requires assistance to think about the possibilities and decide what the right options are for them.

The NDIS' funding for accommodation is expected to be limited to a very small pool of just 28,000 people (6% of NDIS participants). Thousands of other NDIS participants will require assistance to find the right housing for them in the private market and in community and public housing. Discrimination against people with disability in the rental market has prevented many people with disability from rental opportunities.[22] Even once people with disability have secured accommodation, some tenancies are not sustained due to a lack of support to comply with tenancy requirements and solve issues that arise. This is especially the case for people with disability who have a cognitive impairment or mental illness.

The Independent Youth Housing Group (IYHG) is a member based organisation run on co-operative principles operating in Queensland that has been demonstrating how a member-owned organisation can improve housing security and stability for tenants. IYHG rents properties to tenants with disability and mental illness who pay 25% of their income in rent. IYHG selects properties that are well suited to the needs of their members and then provides active tenancy management services to asset people to maintain their tenancy and ensure that people have secure accommodation. Members are engaged in the power structure of the organisation and feel "in control" of their lives and the organisation that supports them. Any operational surpluses are reinvested in increased housing options and better support services.[23]

Co-operatives will bring a capacity building and empowerment approach to providing assistance to develop housing goals and aspirations, and then help NDIS participants to find and maintain their tenancies. Co-operatives are well suited to this work because they can provide a service that people with disability identify with, that is highly tailored to the needs of participants and the context of local communities. Co-operatives are also able to develop strong communities amongst participants and can use peer-support models to provide this

service. This will be hugely beneficial to participants without NDIS housing payments in their NDIS plan to access housing.

6. Encouraging growth and summary of recommendations

A catalyst is needed to develop co-operatives in the NDIS.

Co-operatives and mutuals provide a unique opportunity to engage NDIS participants in decision making, build their capabilities and increase community inclusion. Yet, the historic isolation and exclusion of people with disability from community life in Australia means that co-operatives and mutuals led by people with disability require support to become an established part of the NDIS.

Support is needed for disability-led co-operatives and mutuals to access funding streams and improved understanding of the various models and the associated legal and financial instruments.[24] Seed funding needs to be provided to develop and refine documentation for the various models, to promote models to potential consumers and provide advice services to developing co-operatives.

In addition to supporting co-operatives to develop through seeding funding, the NDIS user cost of capital for accommodation must be structured to enable housing providers to maximise the housing built for people with disability.

The BCCM supports governments efforts to maximise the housing options for people with disability by focusing on a 'supply side' response to create housing for people with disability. BCCM also supports the recommendations from the Disability Housing Futures Working Group and community housing providers that the NDIS' user cost of capital funding is used to provide a predictable stream of funding.[25]

NDIS user cost of capital funding can maximise the housing options for people with disability by adopting either of the following strategies:

- Pooling user cost of capital funds to directly fund a housing bond. In this model, the NDIA would pool together the user cost of capital funding and enter into an agreement with a financial intermediary to create a bond. The guaranteed stream of income from the NDIA should enable this bond to have lower interest rate given the low risk nature of the investment. These lower finance costs would therefore effectively be passed through to housing providers accessing the capital created through the bond. This model is outlined in further detail in the Disability Housing Futures Working Group.[26] Funding could be recognised in participant packages by adding a standardised amount of notional funding into the packages of participants who are living in housing funded by the bond.

- Directly contracting with housing providers that secure their own financing through an aggregator. In an alternative model the NDIA would enter into an agreement with the housing provider providing certainty of NDIS housing payments over a period specified number of years. The housing provider can then use this stream of income to access debt finance from financial markets, which the housing provider can use to purchase or build NDIS housing. Given the scale of housing being built, it is possible that a housing finance aggregator could be used to combine together the housing sector's debt needs achieving the scale needed for the intermediary to issue a housing bond to investors. This model would be similar to the approach outlined in AHURI's paper on housing supply bonds.[27] This would ultimately achieve the same objective as the NDIA pooling funds together and entering into an agreement with the intermediary (see model above). The benefit of this approach is that there is a clearer link between NDIS funding and the housing that this is creating for individual NDIS participants.

The critical feature of these models is that user cost of capital funding is provided to the market with certainty and that it occurs on a scale that is large enough to engage institutional investment. These are the two key features required to lower the cost of finance for NDIS housing. Importantly, these options would not require government to take on debt, rather the stream of income from NDIA user cost of capital payments would be used to raise debt by non-government providers.

Recommendation #1: Add an additional objective to the NDIS housing framework that NDIS funded housing builds the individual and collective wealth of people with disability.

People with disability are severely economically disadvantaged given many people's exclusion from the labour market. Any investments by government that create the opportunity to build the wealth and long term financial security of people with disability should be explored in the NDIS. Individual wealth building can occur through joint equity initiatives in housing and collective wealth building can occur through using co-operatives and mutuals owned by people with disability to own and manage housing.

Recommendation #2: Add an additional objective to the NDIS housing framework that requires NDIS housing projects to involve people with disability in the design and approval process.

The NDIS is predicated on choice and control for people with disability. It is critical that housing build for NDIS participants is designed in active and genuine consultation with people with disability. All housing that is registered to receive NDIS funding should be required to demonstrate how people with disability—or their families and carers—were involved in decision making about the design and location of the dwelling.

Recommendation #3: Empower and support existing group home residents and staff to create in home care co-operatives.

State Governments that have decided to cease providing direct group home services to people with disability should provide existing group home residents with the option of creating (or joining) a consumer led co-operative to deliver in home care services.

If group home residents choose not to create or join a co-operative, State Governments should offer staff who work in the group home with the option of creating or joining a staff co-operative. People with disability would still retain choice and control over whether the staff co-operative continues to provide their support.

Recommendation #4: Create a co-operative incubator to provide capacity building, technical assistance and mentoring to new co-operatives

The Federal Government should use NDIS Sector Development Funding to create a co-operative incubator that would assist people with disability, workers and organisations to establish new co-operatives. The incubator would build the capacity of people with disability to work together to create new ways of delivering services, dramatically increasing the opportunities for people with disability to shape service delivery in the NDIS. The incubator would also assist workers to create staff co-operatives that reduce casualization and increase investments in worker's skills. The incubator's third focus would be on small organisations, including in the housing sector, that are not profitable in the NDIS model and would benefit from establishing or joining an enterprise co-operative to improve viability thereby maintaining a diverse range of providers in the sector.

Without specific funding to support co-operative development there is a risk of service fragmentation, loss of choice through the collapse of small services and lower levels of empowerment of people with disability who are forced to rely on organisations rather than creating their own delivery organisations.

Recommendation #5: Support the establishment of a co-operative Disability Land Trust where land is owned collectively by people with disability into perpetuity

The Federal Government should support the establishment of a Disability Land Trust that is run as a co-operative and governed by people with disability and their families. The Disability Land Trust would own land and build housing which is then accessed by local providers and community-run (and parent-run) disability housing co-operatives for fixed periods. The trust can create mixed tenure communities to meet integration ambitions of the NDIS. The Land Trust would build the collective wealth of Australians with disability, unlock family and philanthropic contributions and empower people with disability to shape NDIS housing design and services. The co-operative would operate nationally and could build up a substantial land holding and asset base if it is supported to be a key part of the NDIS. This would enable the co-operative to access low cost finance, securitised against a high value land portfolio with the certainty of the NDIS revenue stream.

The Federal Government, along with State Governments, could support the establishment of a Disability Land Trust in three ways. First, become part of a group of influential leaders to build awareness and community confidence in the co-operative. Second, seed the co-operative by providing funding for the operating costs for the Trust's establishment. Third, encourage States and disability housing providers to contribute foundation capital to the Trust to build its asset base.

Recommendation #6: Provide certainty in user cost of capital funding and aggregate payments to allow for housing bonds to be issued

Governments should establish the payment mechanism for the user cost of capital in a way that encourages institutional investors, which will lower the cost of finance. We propose two models that could achieve this – NDIA directly providing user cost of capital funding to an intermediary to issue a bond to housing providers; and the NDIA providing certainty of funding to housing providers who work together to form an aggregator to issue a bond. This will be the most cost-effective approach to building NDIS housing.

Recommendation #7: Allocate funding to create a smarter housing market that uses technology based solutions to reduce market failures in disability housing, including a platform to connect tenants to properties

Disability housing often experiences market failures because of the lack of information about what properties are available for people with disability and the accessibility features of this housing. People with disability find it hard to find the vacancies that are the right fit for them. Technology solutions that connect people with services (uber, Airbnb etc) have shown that market failures and a lack of information can be overcome through new and creative platforms that allow people to connect with the services they want to purchase.

In recognition that smart housing markets do successfully exist, Governments should co-invest with the co-operative sector, researchers and stakeholders in a smarter housing market for people with disability through a platform that connects people with disability with the housing funded by the NDIS. This could then easily be expanded to include the private rental market and community housing.

Recommendation #8: Add an additional category of "Co-operative Accommodation Providers" as eligible for SDA funding.

The BCCM makes this recommendation in support of the recommendation in the separate submission to this inquiry by PaRA Co-operative Ltd.

Attachment 1: Types of co-operatives that could provider housing services in the NDIS

Co-operatives and mutuals are generally divided into three main types and each one of these types can play in role in improving accommodation options in the NDIS.

Co-operatives and mutuals have proven particularly useful when:

- Services are too expensive for government or market forces to provide
- Diversity in approaches is required
- There are low or variable profits
- Specialised service is needed
- User input is required in service design and delivery.[28]

Consumer Co-operatives

Overview: Consumer co-operatives are operated by the service recipients to provide services that their community require. Service users are involved in the organisation's governance and decision making, enabling a high level of input into the design and delivery of services.

Where they work best: Consumer co-operatives work best where there is the commitment within a community to tackle the problems they face. Commitment is demonstrated every day by people with disability and their families and is exemplified in the broader community by the huge support for the Every Australian Counts movement. Commitment was the foundation for the creation of many of our current advocacy and disability services, founded and driven by people with disability and their families. They are an outstanding method of developing the capacity of their members to participate in the NDIS and the broader community.

Fit with NDIS accommodation:

Delivering accommodation support services: Consumer co-operatives are a natural development from the current huge range of peer led disability support groups and organisations that have developed throughout Australia.

Owning, building and managing housing: Consumer co-operatives would provide people with disability a high degree of choice and control over the types of accommodation build and ensure that any property acquired using NDIS funds benefits people with disability into the long term.

Developing aspirations, finding accommodation and maintaining tenancies: Empowering people with disability to live independently will require assistance for people to fully develop their goals and aspirations, and then get the support they need to search for housing, obtain the right housing and then maintain a tenancy. A consumer co-operative could provide a true

empowerment people with disability owning and operating ac co-operative that helps them to develop their aspirations and successfully navigate the rental market.

Staff Co-operatives

Overview: Staff co-operatives are owned by their employees who have a high degree of autonomy and control over their work and are involved as both employees within the organisation as well as making decisions about the strategic direction and governance of the organisation.

Where they work best: Staff co-operatives work best with employees who share a common goal and have the skills and enthusiasm to operate co-operatively. Staff co-operatives provide freedom of action; the ability to make judgements as to how to provide a good service; they support staff to act entrepreneurially and innovate independently.[29]

Staff co-operatives foster these characteristics and have proven highly effective working with people with complex needs where there is a need for consistency of personnel and where services need to be empowering, both individually and collectively. This enables an empowerment approach modelled by staff and delivered to NDIS participants.

Fit with NDIS accommodation:

Delivering accommodation support services: Staff co-operatives could prove particularly effective in rural, CALD and Indigenous communities where local and culturally appropriate responses are essential and staff attraction and retention has proven problematic.

Within NDIS housing, consumer co-operatives are ideally suited to provide assistance with daily living activities to people with disability within their homes.

Enterprise Co-operatives

Overview: An Enterprise Co-operatives is a grouping of organisations that voluntarily come together for mutual business related support, such as sharing corporate functions including bulk purchasing, accounting, HR, marketing, client software and OH&S services.

Where they work best: Enterprise co-operatives reduce the overhead costs of operating services and are well suited to areas where there are many small providers facing pressure from larger, lower cost providers. These co-operatives are appropriate where activities benefit from larger scale and can be easily outsourced by the organisation to another provider. They are also beneficial for situations when governments or consumers want a single point of entry but localised and personalised services.

Fit with NDIS accommodation:

Supporting smaller organisations to deliver in-home care

Enterprise co-operatives can support smaller disability providers to compete and thrive through co-operation and mutual benefit. Enterprise co-operatives assist smaller and specialist organisations to develop back of house economies of scale, retain local networks and keep jobs local.

Owning, building and managing housing: Enterprise co-operatives are very well suited for smaller accommodation providers who face higher costs in managing their properties because they lack economies of scale. Further, accommodation providers may wish to focus on delivering support services but do not want to fully relinquish their housing assets. Accommodation providers could come together to establish an enterprise co-operative to manage property contributed by the co-operative's members.

Attachment 2: Types of Housing Co-operative

The main types of housing co-operatives are described below, differentiated by the extent of capital contribution and profit share by members.

Rental Housing Co-operatives

Rental Housing Co-operative properties are acquired and owned by a social housing provider with portfolios of properties headleased to tenant co-operatives. The tenant co-operative then leases individual dwellings to member tenants. The co-operative is responsible for managing all tenancy agreements and maintaining the properties in good condition.

The tenant co-operative derives income from rent and meets all costs of delivering and maintaining the dwellings including whatever commercial arrangements are proscribed under the terms of the headlease with the owning entity.

The social housing provider is usually a State Housing Authority or a registered Housing Association but could also be any not for profit entity such as a charitable organisation, local government or a land trust.

Funds are usually provided by state governments through specific housing programs but are often then supplemented by the Housing Association borrowing further capital against the value of existing properties to a level that can be supported by the rental income stream.

The property portfolio can be dispersed housing, cluster developments, purpose built dwellings or any combination of these. The size of the portfolio can vary from as small as five properties to portfolios of hundreds or even thousands of properties.

Headleases can be varied significantly for co-operatives of different scale or targeted for different tenant cohorts and can determine eligibility for membership, rent setting mechanisms and conditions related to maintenance and other expenditure by the co-operative.

Tenants do not have any equity or ownership of the properties or individual claims on any surplus funds held by the tenant co-operative.

Common Equity Co-operatives

These are very similar to rental housing co-operatives but all the property assets of the tenant co-operatives are held by a single entity that is not a government department but a registered housing organisation of which the co-operatives with headleases are members (shareholders).

Individual tenant members are not shareholders of the owning entity. The advantages of this model is that the tenant co-operatives effectively pool their resources to achieve economies of scale to enable the use of their larger asset base to reduce costs, raise capital and purchase more professional services.

Some state governments have preferred this model by providing capital or transferring property assets from State Housing Authorities to Housing Associations to raise independent capital. The highly successful operation of CEHL in Victoria and CENSW demonstrate the efficiencies and potential of this model.

Individuals are members of housing co-operatives which head lease the property portfolio from the owning entity as per the rental housing model and do not have any equity or share of assets of their co-operative.

Shared Equity Co-operatives

A further variation on the theme is for the owning entity to generate further capital for the acquisition of stock by requiring incoming members to purchase a share in the co-operative in order to access the housing.

The share cost is only a proportion of the cost of the housing and the members weekly housing cost (rent) is set dependent on the cost of the housing and the contribution through the value of the purchased share. Typically, the share value is not linked to the value of the property though it may be annually indexed based on an agreed CPI factor.

The advantage of shared equity co-operatives is that rental housing can provided at reduced rates to private rental and with more security than is available in typical private rental scenarios. On exit from the co-operative the individual sells their share back to the co-operative which can then be marketed to the next member.

The owning entity can define its eligible purchasers based on the purpose of the organisation or conditions of any other capital it has raised to acquire the housing.

Equity Co-operatives

Under the equity co-operative model the cost of a share is established by the owning entity based on the full cost of the development. Individuals members are the shareholders of the co-operative and the co-operative establishes it own rules for operation and also conditions for the sale or buy back of shares.

Purchasing a share guarantees the member a long term lease of the property but the title remains with owning entity which is either the operating co-operative or a not for profit Housing Association who has leased the portfolio to the tenant co-operative for management.

This model is suited to groups of individuals wishing to live in a particular location who agree to pool their resources to achieve better housing outcomes.

Alternatively the equity model can also be operated by a not for profit housing provider where the portfolio is leased to an operating co-operative whose members are required to provide the full capital cost of the dwellings.

In exchange for lower entry cost to the housing with shares based on cost rather than market value, the purchaser agrees to forgo all or part of any capital gains due to appreciation. This enables the Housing Association to on sell shares below the market rate for individual titles.

Individuals borrowing funds to purchase a share may have their loans secured by the owning entity which would reserve the right to buy back shares at original value if the co-operative member defaults on their loan or breaches other conditions of their lease.

Attachment 3: A Disability Land Trust

The current thinking on the NDIS will see community housing providers become the biggest providers of housing – borrowing from banks to buy land and build housing.

The current trajectory is one where (mostly) generalist community housing providers will develop housing using NDIS funds. Four issues are concerning about the current situation:

- there is no guarantee that this housing will be provided for people with disability once the NDIS payments finish;
- people with disability have limited decision-making power in the current housing system;
- NDIS funds are sufficient for only 28,000 of the 410,000 NDIS participants (and 2 million people with disability in Australia); and
- there is no coordinated approach to generating philanthropic, government and family contributions towards disability housing.

One option that could address many of the current concerns is to create a Disability Land Trust -structured as a co-operative—that held land in perpetuity for the benefit of people with disability. The funding it received from NDIS specialist housing payments would be reinvested to grow the housing assets held by the co-operative and therefore able to support more people with disability over time.

A Disability Land Trust would own the land that disability housing is built on. The co-operative would build housing on the land and head lease these properties to local, community-run disability housing co-operatives for fixed periods. The Disability Land Trust could be a community housing organisation or a new co-operative run by people with disability and their families.

It is important to note that the trust can be structured in such a way that enables a range of products to be developed to create mixed communities, promoting integrated communities and mixed tenure.

The Disability Land Trust would be structured as a co-operative. The members of the co-operative would be people with disability and their families, so that their relationship is one of tenant-owner, an empowered role. The Trust's Board would be comprised of people with disability and their families, technical experts in finance and property management along with representatives of housing providers who head lease the Trusts' properties. People with disability and their families would therefore have an active role within the co-operative in deciding where properties are built and selecting the housing providers that would be head leasing the properties.[30]

This model would create four benefits that we are unlikely to see in the current system.

1. **Preserves housing options for people with disability into perpetuity**. The co-operative would ensure that every property effectively developed by NDIS funding continues to benefit people with disability into the long term and is not reallocated to other purposes.
2. **Scale for investment.** Aggregating together the land and housing for disability housing will generate greater interest from investors (Superannuation funds for example) and lower the cost of finance. If land was to be separately contributed to the Trust from other areas of Government (Local Council or State Government), so that the NDIS stream only effectively funded construction costs, greater leverage would be achieved for the NDIS dollar, but this would require land valued at some $3 billion across Australia
3. **Enable contributions from families, governments and philanthropy**. A Land Trust will be able to tap into the huge community goodwill and willingness of families to contribute towards improving housing options for people with disability. The Trust can provide a guarantee that a family member with disability will continue to be supported by the Trust for their lifetime, alleviating much family stress.
4. **Contribute towards housing for all people with disability.** The co-operative can better leverage the limited NDIS funds to generate housing for more than just the 28,000 people identified by the NDIS. This is achieved by surpluses from operating at a more efficient scale and drawing on contributions from families, governments and philanthropy.

What would need to happen to make a Disability Housing Trust possible?

Creating a Disability Land Trust is in the community's hands. Governments and the NDIA do not need to change the design of the NDIS housing payments system. Housing providers would continue to apply to the NDIS to get a housing payment and then pay the Land Trust rent as an expense. Further discussions with financial institutions can assist to understand the trade offs of this model compared with an arrangement where the NDIA made part or full payments directly to the Land Trust or to a financial intermediary to increase the security of the income stream and lower borrowing costs.

A Disability Land Trust could begin operating if it has the land and the housing providers it needs to get off the ground. This is especially important as a co-operative – getting people to become part of a co-operative is much easier when the co-operative has already been shown to be viable. To justify establishing a Land Trust, the following four pillars would need to be in place:

1. **A dedicated group of leaders to provide vision and profile to the Land Trust**. A core group of supports are needed to build community awareness of the Trust, generating goodwill, engage people with disability and build relationships with land donors (governments and philanthropy) and lenders (banks and superannuation funds).
2. **Foundation capital to build the assets of the Trust**. The Trust needs to begin with a large pool of housing assets that it can use to either: headlease out to housing providers and begin generating income, or leverage to purchase more land. There are four potential sources for this start up capital.
    - *NDIS UCC capital injection*. The NDIS does not provide capital grants – it provides a user cost of capital payment. Delays in finalizing the user cost of capital payment framework has meant that the NDIS spent none of the funding that would ordinarily have been spent on housing in the first three years of the Scheme's operation. This has left the NDIA with around $45m in unspent housing funds. If no action is taken, this funding essentially goes back to the Commonwealth as a saving. Governments could instead agree to allocate this funding to a Disability Land Trust to provide an initial capital injection.
    - S*tate Governments stock transfer*. State Governments currently operate supported accommodation services for thousands of people with disability. Many state governments will stop providing supported accommodation once the NDIS is implemented. State Governments can transfer the title for land that is currently used for some supported accommodation to the Disability Land Trust.
    - *Philanthropic stock transfer*. Many non-profit disability providers have housing assets that is poorly leveraged and under utilized. Transferring this stock to a Disability Land Trust could provide them with the security of a long term lease while enabling the land to be leveraged to purchase more land for people with disability.
    - *Local Government stock transfer.* Many local governments have land that they would be willing to contribute to creating housing for people with disability, but have not found the right opportunity to transfer stock. Establishing a Disability Land Trust would create a new opportunity for local government contributions.
3. **A commitment by a sufficiently large number of housing providers to rent from the Disability Land Trust**. The viability of the Disability Land Trust depends on housing providers being willing to headlease properties from the Trust. The Trust will need a commitment from enough housing providers to demonstrate that there is a market from housing providers to head lease properties to ensure there is sufficient scale.

4. **A commitment from lenders to loan funds to the Trust**. The momentum of a Disability Land Trust would significantly increase if a large lender committed in principle to providing finance for land purchases by the Trust. This is an unusual approach, given that financing usually follows establishment. However, this would significantly build the case for establishing a Trust.

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