We’re all landlords and tenants:
Contemporary housing cooperatives building sustainable communities

Dr Tony Gilmour

October 2012
‘We’re all tenants and landlords’ is a quotation from a member of Ningana Cooperative, July 2012.

The author is grateful for the time provided by cooperative members and other stakeholders for the interviews that underpinned this research.

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Executive Summary

Housing cooperatives, coordinated through ‘common equity’ intermediate organisations, are the hidden success story of Australian affordable housing. Unlike traditional cooperative housing models, here and overseas, they enable a growth in portfolio size at a time when public subsidy is being reduced and private finance expanded.

The virtues of housing cooperatives have been long known. Individual members build skills, take care of their home and find a supportive environment to enter the workforce or pursue education. The cooperative spirit spreads to the neighbourhood, helping build community capital. Studies confirm that not only are cooperatives a cost effective way of delivering affordable housing, they have a multiplier effect that leads to high social returns on public investment.

Many still think of cooperatives as hotbeds of radicalism, a throwback to the hippy era. The reality is different. Squatting has been replaced by spreadsheets, folk songs with finance raising. If the radicalism is diminished, the cooperative message is not. Cooperative residents are both tenants and landlords, working together to better their lives and enrich communities. Such values are fashionable again. The centre-right Conservative party in Britain is implementing a ‘big society’, with voluntary and mutual organisations at the centre.

The common equity approach is distinctly Australian, unique, and much admired by overseas observers. Organisations such as Common Equity NSW (CENSW), and Common Equity Housing Limited (CEHL) in Victoria, mediate between the regulatory demands of Government and the voluntary aspirations of cooperatives. Through pooling assets and cashflows, they can help fund new properties. They also provide nurture and support to smaller, local cooperatives which, at times, need a helping hand.

This report reviews the workings of CENSW, in the context of national and international trends. Overall, it is a good story. Initial misgivings over cooperatives ceding power to a new organisation have been overcome. CENSW has both built capacity and professionalism in the cooperatives, as well as in its own way of working. It is still a continuing journey, though feedback from Government agencies is positive.

Although the policy and political environment has changed significantly since CENSW’s formation, the common equity model continues to offer a number of advantages. In particular, it can play a role in delivering diversified housing options, helping build more of a housing continuum across different income levels. It can also, subject to resumption of title transfers, increase the pace of housing delivery.

As CENSW enters its second era, decisions are needed on growth strategies, the future of directly managed stock, raising sector profile and relationships with other common equity organisations. These will be difficult issues for the NSW cooperative movement, though not impossible. One of the reasons why the cooperative housing model has survived so long is its flexibility.

While cooperative housing will play only a boutique role in the affordable housing spectrum, it offers advantages that other housing providers have started to follow. Through involving residents in decision making, cooperative values are spreading across the wider community housing sector.
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AHURI</td>
<td>Australian Housing and Urban Research Institute</td>
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<tr>
<td>ARC</td>
<td>Australian Research Council</td>
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<tr>
<td>ARCH</td>
<td>Association to Resource Cooperative Housing</td>
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<tr>
<td>CCH</td>
<td>Confederation of Community Housing, Britain</td>
</tr>
<tr>
<td>CDFI</td>
<td>Community Development Financial Institutions</td>
</tr>
<tr>
<td>CEHL</td>
<td>Common Equity Housing Limited, Victorian based</td>
</tr>
<tr>
<td>CEHSA</td>
<td>Common Equity Housing South Australia</td>
</tr>
<tr>
<td>CENSW</td>
<td>Common Equity NSW</td>
</tr>
<tr>
<td>CERC</td>
<td>Common Equity Rental Housing Cooperatives: a CEHL member cooperative where control of most property and tenancy management is delegated to cooperative members.</td>
</tr>
<tr>
<td>CMC</td>
<td>Community Managed Cooperative: a type of directly managed housing cooperative run by CEHL</td>
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<tr>
<td>FaHCSIA</td>
<td>Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs</td>
</tr>
<tr>
<td>FOHCOL</td>
<td>Federation of Housing Collectives, Western Australia</td>
</tr>
<tr>
<td>NRAS</td>
<td>National Rental Affordability Scheme</td>
</tr>
<tr>
<td>NBESP</td>
<td>Nation Building Economic Stimulus Plan</td>
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<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>RHC</td>
<td>Rental Housing Cooperatives: Victorian housing cooperatives not part of CEHL</td>
</tr>
<tr>
<td>SHA</td>
<td>State Housing Authority</td>
</tr>
<tr>
<td>SROI</td>
<td>Social Return on Investment</td>
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</table>
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1 Background

This first section provides an overview of housing cooperatives, placing experiences in NSW within a broader context.

1.1 Research approach and case studies

The initial research approach for this report was a review of the national and international literature on housing cooperatives. Little has been written on the Australian cooperative sector, with most recent studies by AHURI and other research institutes focusing on the growth housing association model.

Stakeholder interviews were conducted with the following people and organisations:

- NSW Registrar of Community Housing: Alex Valda and Jo Michelle.
- University of Western Sydney: Dr. Louise Crabtree.
- Housing NSW Centre for Affordable Housing: Renee Wirth.
- Confederation of Cooperative Housing, Britain: Nic Bliss.
- Common Equity Housing Limited (CEHL), Victoria: John McInerney and four team members.
- Common Equity NSW (CENSW): Ian Sinnett and two team members.

Five case study cooperatives were selected, in conjunction with CENSW management. The aim was to select a variety of archetype cooperatives that covered a range of geographical locations, size, capacity and interest groups accommodated. Focus group meetings were held in July and August 2012, with all housing cooperative members invited to attend. A total of 36 cooperative members participated, ranging from a minimum of 3 to a maximum of 13.

The focus groups were open to all, and members were encouraged to freely express their opinions. One further written submission was received. The views represented were broad ranging, though the participants could be characterised as active residents and often members of management committees. Certain quotations from focus group meetings are included in this Report.

Table 1: Case study cooperatives

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Size</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albury</td>
<td>Albury-Wodonga, southern border of NSW</td>
<td>Medium 19 tenancies</td>
<td>General cooperative for lower income people, based in a regional area</td>
</tr>
<tr>
<td>Alpha House</td>
<td>Erskineville, inner-city Sydney</td>
<td>Medium 29 tenancies</td>
<td>Community of shared interest: artists</td>
</tr>
<tr>
<td>Ningana</td>
<td>Annandale, inner-ring Sydney</td>
<td>Large 51 tenancies</td>
<td>Larger, single location cooperative catering for single people</td>
</tr>
<tr>
<td>SWITCH</td>
<td>Miranda, middle-ring Sydney</td>
<td>Small 7 tenancies</td>
<td>Community of shared demographics: single parent families</td>
</tr>
<tr>
<td>Van Lang</td>
<td>Canley Vale, outer-ring Sydney</td>
<td>Large 47 tenancies</td>
<td>Special language and age group: Vietnamese seniors</td>
</tr>
</tbody>
</table>
1.2 Cooperative housing models

Models of cooperation date back many centuries, though were re-defined in the modern era by the Rochdale Equitable Pioneers in 1844. The organisation was established to sell essential items such as food and clothing to members at fair prices. Surpluses generated through the operation would be returned to members, who were both the customers and owners of the organisations. Cooperative principles are detailed in Box 4 on page 14.

A housing cooperative is not defined by the type of people who live in one or more properties, or because of the type of building design or layout. It is unique because of its ownership and governance structure where residents become ‘members’ - and hence owners - of the cooperative, and play an active part in running the organisation.

The three main types of housing cooperatives are described below, differentiated by the extent of capital contribution and profit share by members:

- **Non-equity or common equity**: residents (members) do not provide capital, do not own the property and do not benefit from capital appreciation. This is the model typically used in Canada and Australia, with assets owned by a third party, often a state agency. As tenants are usually low income, paying a reduced rent, it is similar in contractual terms to renting in the social housing sector.

- **Limited equity or shared equity**: a portion of capital gain on property appreciation is shared with residents (members). This may be in the form of an upward adjustment in the value of shares in the cooperative held by the resident. Community Land Trusts could be said to have a number of similar characteristics to limited equity cooperatives.

- **Full equity**: residents (members) fully fund the cooperative, and capital gains are retained by the residents.

Non-equity cooperative models are best suited to low income tenants where it is unlikely they can contribute capital. Cooperatives of this type allow for a greater say in how the property is run, though there is no opportunity to build capital, making an exit to home ownership unlikely. Limited equity models are best suited to low-moderate income residents, and allow some capital to be built. Full equity schemes are akin to property ownership, though within a community of shared values.

1.3 International perspectives

Housing cooperatives started to emerge in North America and Europe from the mid nineteenth century, with early examples in New York and Berlin. Growth accelerated after the Second World War when a number of countries promoted housing cooperatives as part of their welfare state initiatives (Bunce, 2012; CECODHAS, 2012). Lack of affordable housing has been the main driver for new cooperative housing over the last two decades, particularly the inner city areas where traditional groups have become displaced through gentrification.

In some countries, cooperative housing remains an important part of the housing market, and the major component of social housing. For example, cooperatives manage a large portion of total housing stock in Egypt (33%), Poland (17%), the Czech Republic (17%), Sweden and Norway (15% each). On average, 10% of residents of the European Union live in housing cooperatives (CECODHAS, 2012).

In many other countries, the cooperative housing sector is relatively small. For some
countries, the reason is that the social housing sector itself is quite small:

- Canada: conventional social housing 5%, cooperatives 0.8%.
- United States: conventional social housing 3.5%, cooperatives 1%.

In a third group of countries, there is a relatively large share of social housing, though cooperatives are a minority provider:

- France: conventional social housing 19%, cooperatives 1%.
- UK: conventional social housing 18%, cooperatives 0.2%.

In most countries in the CECODHAS survey, which covered North America and several European Union countries, there is a mix between non-equity, limited equity and full equity cooperative models. This provides a spectrum between more welfare style housing through to shared equity and full market schemes.

This balance along the welfare-market continuum varies between countries. In the United States, for example, two thirds of cooperatives are full equity. In France, many of the housing cooperatives are aimed at easing lower income households into home ownership. In Canada and the United Kingdom, the majority (but not all) housing cooperatives are non-equity.

Recent trends

Although it is hard to generalise across a large number of countries with very differing housing systems, the number of properties in cooperative housing management has been stable in most countries for two decades. New developments of both subsidised and market-rate housing tend not to adopt cooperative principles. With social housing, the trend in Europe has mostly been to reduce conventional social housing portfolios through privatisation. Where new social housing has developed in the US and Europe, it has been through expanding housing association type organisations using private finance and grants.

Ironically, at a time when worldwide interest in cooperative housing is plateauing, there is increasing interest in applying cooperative principles. This can be linked to:

- Governments’ efforts to move away from mono-tenure public housing estates, to mixed communities where there is a diversity of housing tenures and income groups (Gilmour et al., 2010). Place-based initiatives rely on community involvement, and active resident participation.
- As shown in the ‘housing plus’ agenda in Britain, social housing landlords are expected to undertake a far greater range of activities than tenancy management. Regulators expect that tenants will be involved in running housing associations and helping out in neighbourhood schemes.
- In Britain, the Coalition Government’s 2010 strategy of promoting the ‘big society’ has renewed interest in empowering local people and communities. The emphasis is on people volunteering, and taking an active involvement in their neighbourhoods. For the first time in three decades there is active support - and from a centre-right government - for cooperative and mutual organisations.

Many of the recent housing initiatives in Britain are creating organisations that are close in spirit to housing cooperatives. These include the Community Gateway model and the Community Mutual Housing Association. The latter model is being used for the transfer of 13,700 social housing properties in Rochdale, the home of the modern cooperative movement. Both tenants and staff of the new mutual
organisations, Rochdale Boroughwide Housing, will be members.

‘The Rochdale pioneers’ co-operative was established in the 1840s at a time when there was severe economic difficulties. It was a way of people collaborating together to help themselves in really difficult circumstances. There are parallels with today, because there are huge economic challenges and social housing providers are right at the front line in terms of helping to support people through financially difficult times’.

Gareth Swarbrick, Chief Executive Officer, Rochdale Boroughwide Housing, quoted in CEHL (2012b)

1.4 Australian cooperatives

The cooperative sector developed at the same time as the expansion of mainstream Australian community housing providers. From the early 1980s, many State Housing Authorities (SHAs) passed management control of small social housing portfolios to not-for-profit organisations. This was reinforced when the 1984 Commonwealth State Housing Agreement tied a small proportion of national funding for the not-for-profit sector (Milligan et al., 2004).

The genesis of the community housing sector, of which cooperatives are seen to be part, was therefore largely ‘top down’. Organisations relied from the early days on an out-sourcing of social housing tenancy management, with control and/or ownership of property assets and large scale property maintenance by the State.

One or two earlier more radical cooperatives such as Ningana and Alpha House in Sydney survived from an earlier period. Ningana cooperative grew out of the squatter movement of the 1970s, where low income renters clashed with the interest of private developers. Later property was supplied by the State, though this allowed the SHA to exercise greater control. Over time, cooperatives like Ningana lost many of their radical features, in part as a new generation of cooperative members gained control (see case study in Box 1).

Box 1: Case study - Ningana Cooperative

Ningana is a large, single building cooperative on the edge of Sydney’s inner city. The property was initially built as a hotel, but went bankrupt and was taken-over by Government to become an Immigration Hostel. This too was unsuccessful and squatters moved in and formed a collective. Later Housing NSW formally leased the building to what would become a housing cooperative.

The building comprises 51 studios and 2 one bedroom units. Shared facilities are a feature: three community rooms, an art room, an Internet room, a laundry and three large kitchens. According to discussion during the focus group, Ningana used to be very social. However, alcohol is now banned and there are fewer barbeques and no Christmas party: ‘there’s a lot of Generation Y moving in, who don’t tend to want that kind of thing’ (interviewee).

Ningana is unusual in that it is legally constituted as a company limited by guarantee, rather than as a cooperative. Members elect directors to the company, though all decision making is by the ‘collective’, which is a meeting of residents. There is no management committee or officer structure.

Ningana has an unofficial gender policy of equal numbers, as far as possible, and predominantly houses single people on very low incomes. They are supportive of residents and prospective tenants with mental illness, with an informal network that includes family members, doctors and carers, as well as to other housing organisations, to ensure members are well supported.
Housing cooperatives and mainstream community housing organisations founded from the 1980s differed in their legal status, but not necessarily their way of working. Small mainstream community housing organisations would have one or two staff, whereas small cooperatives were run by their members.

**Comparative analysis**

Australian housing cooperatives are almost exclusively non-equity. Members will only pay a nominal sum - usually $1 - to join. Governments tend to insist that most or all of cooperative residents are on low incomes and eligible for social housing. This excludes most moderate and all higher income members from being cooperative members. Hence the income groups who could afford an invest capital into an ‘equity’ cooperative are excluded.

There a couple of examples of full-equity cooperatives in Australia, although the sector is undocumented and very small scale. Projects tend to focus on environmental and social sustainability, and are mainly non-urban such as Moora Moora Cooperative in Victoria. The urban exceptions are Christie Walk in Adelaide, and IDEAS in Brisbane (Crabtree, 2006b).

In terms of international comparisons, Australian housing cooperatives are probably most like those in Canada than any other country. As will be noted in Section 1.5, this is mainly due to the dominance of non-equity models in both countries and the way new cooperatives are funded by Governments. Both Canada and Australia also have relatively small social housing sectors, and a federal structure that has led to divergence between different regions.

The relative importance of cooperatives in the Australian not-for-profit housing sector, and the way their assets are held, varies between jurisdictions. This is as a result of most housing policy and funding allocations being decided at state level. When new forms of regulation were introduced in the 2000s, again the approach varied between states and territories. As a result, there is a legacy of considerably different approaches to cooperatives, and their scale of operation across Australia. This is one of the factors explaining the different approaches between common equity organisations, and their ease and speed of acceptance of common equity in different jurisdictions.

In terms of total numbers of housing cooperatives, as at June 2010 there were 77 organisations out of 959 in the wider community housing sector (AIHW, 2011). The largest number were in South Australia (52), followed by Victoria (8), Tasmania (7), Queensland (4), NSW (3) and Western Australia (2). Numbers appear low for Victoria and NSW as the ‘cooperatives' counted by AIHW include the umbrella organisations CENSW and CEHL.

South Australia and Victoria initially funded cooperatives through a mix of capital grants, revenue support and private finance. This has led to different forms of asset ownership in these jurisdictions, with assets either held by an intermediary body (Victoria), or transferred to the Cooperatives but secured by a debenture (South Australia). Other jurisdictions used public grants for procuring new properties, making it less likely cooperatives themselves would end up owning their properties.

There are differences in types of housing portfolios. In Western Australia, all housing cooperatives are co-located on one site, whereas in Victoria, most housing cooperatives are single house dwellings on their own plot and dispersed within a limited geographical location. Victorian members meet regularly at a central location to address property issues related to the separate dwellings. In NSW, cooperative properties clusterings are of both types.
There are inter-jurisdictional differences between groups to whom cooperative housing is supplied. In general Victoria, Western Australia and South Australia have more ‘general’ housing cooperatives. These provide homes for low income people living in a similar area. NSW has a greater proportion of special interest cooperatives – for example catering for artists and people of a shared ethnic background.

**Box 2: Case study - Albury Cooperative**

Unlike the majority of CENSW cooperatives, the Albury Cooperative is located in a regional area away from metropolitan Sydney. The organisation was founded in 1991, initially using Commonwealth funding of $1 million to acquire land within the Albury-Wodonga Development Corporation area. Properties were purpose designed and built, with the first residents taking occupation in 1994.

Albury Cooperative is of average size with 19 properties, mainly consisting of traditional two bedroom freestanding houses, located on the fringe of Albury at Springdale Heights. Residents come from varied backgrounds, though the largest group is women with children. Neighbourhood activities are anchored within the local Community Centre, where cooperative meetings take place. The Centre also hosts a variety of activities for the local community.

The cooperative grew to its current size through the recent transfer of 8 new properties built under the Nation Building Economic Stimulus Plan (NBESP). These homes were initially tenanted and run by CENSW, though have recently been integrated into the main cooperative. There have been a few transition difficulties, though these appear now to have been resolved. One major benefit of the transfer of new properties is that the cooperative has now reached critical mass, and should be financially viable going forward.

**Social housing reform**

From the early 1990s, State Governments began promoting new models of expanding the not-for-profit housing sector. These involved a number of demonstration projects that were able to harness developer contributions and private finance. Bringing in additional private funding helped deliver more new affordable properties per dollar of housing subsidy. They also required the larger organisations to professionalise their board and management structures.

The early successes of ‘growth’ community housing groups such as Brisbane Housing Company, St George Community Housing and Compass Housing led to the 2007 Commonwealth Government expanding financing for the sector. No special funding was announced for housing cooperatives during this period.

With the exception of ‘common equity’ models, described below, the move to using private finance has favoured mainstream community housing providers. Largely structured as ASIC limited companies, with a professional board, they are considered by many in Government to be more able to be trusted with asset ownership and debt-raising. Many not-for-profit organisations that act like mainstream community housing providers, but are legally formed as cooperatives, have recently moved to become companies (Milligan et al., 2009).

In Australia the close links between housing cooperatives and the public housing sector has not always been helpful. Outside Victoria there have been few new housing co-operatives established since the mid-1990s. With funds limited, the State Housing Authorities have chosen to divert growth funding towards the cost of meeting maintenance backlogs.
Size comparisons

With the exception of Victoria and NSW, housing cooperatives have remained as small-scale operations similar to when founded in the 1980s and 1990s. This is true for mainstream community housing, with many of the earlier organisations continuing to be of modest scale.

During debates on a move to national community housing regulation, FaHCSIA noted there are approximately 45 larger not-for-profit housing providers that manage over 200 properties each. These organisations control 63% of tenancies (Australian Government, 2010a). KPMG (2010) estimate 75% of not-for-profit housing providers manage fewer than 20 properties. This category includes housing cooperatives, as well as smaller conventional community housing groups.

It is not straightforward to determine the proportion of cooperative housing to total housing stock in Australia. As at June 2010, community housing providers were responsible for 45,975 dwellings (AIHW, 2011). Estimates of properties under management in the cooperative housing sector are:

- CEHL managed 1,900 homes in June 2011 (CEHL, 2011)
- CENSW managed 550 tenancies as at June 2012 (CENSW, 2012b)
- 6 Victorian Rental Housing Cooperatives managed 363 homes as at June 2011 (Victorian Housing Registrar, 2012)
- There are a further 1,350 tenancies in South Australia, based on cooperatives managing 30% of the 4,500 community housing dwellings (VWHA, 2010)
- In Western Australia, 90 properties were in housing cooperatives as at April 2010 (FOHCOL, 2010).

From the above, it has been possible to identify around 4,350 cooperative properties. The national total could be around 4,800 tenancies. This suggests Australian cooperative housing is:

- 10% of the community housing sector
- 1.23% of the social housing sector
- 0.06% of the total housing stock, based on 2011 census dwelling numbers.

Hence the Australian cooperative sector is a noticeable component of the community housing sector, though a small proportion of total housing stock. As shown in Table 2, Australia has around a third of the cooperative proportions of the UK, one fifth the proportions of the US and less than one tenth the proportion of Canada. These comparison countries have been chosen as they have some shared housing market characteristics - however, they all have small cooperative housing sectors when compared to northern European countries.

Table 2: Cooperative comparisons

<table>
<thead>
<tr>
<th>Country</th>
<th>Cooperative managed properties</th>
<th>Proportion of total housing stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>4,800</td>
<td>0.06%</td>
</tr>
<tr>
<td>UK</td>
<td>45,000</td>
<td>0.17%</td>
</tr>
<tr>
<td>US</td>
<td>425,000*</td>
<td>0.33%</td>
</tr>
<tr>
<td>Canada</td>
<td>96,742</td>
<td>0.78%</td>
</tr>
</tbody>
</table>

* Limited or zero equity cooperatives only

Table: CECODHAS (2012)

1.5 The common equity model

In broad terms, ‘common equity’ cooperatives are those where residents do not have a financial interest in the homes they occupy. The property owner could be
either the Government, or an intermediary organisation. As used over two decades in Australia, ‘common equity’ refers to an umbrella organisation that sits between individual housing cooperatives and their members on the one hand; and various branches of Government on the other.

**Canadian connections**

The approach used in Australia can be traced to the development of housing policy in Canada. New cooperatives were promoted from 1973 by the Government backed Canadian Mortgage and Housing Corporation. The aim was to promote mixed-income housing schemes, with only a minority of houses allocated to low income groups. In later years, funding became increasingly restricted to cooperatives housing lower income residents only.

There are an estimated 2,100 Canadian cooperatives running over 95,000 properties (Cole, 2008). Many are non-equity, though some are limited equity where members have invested capital. The size of Canadian cooperatives varies between 5 and 770 units, with an average of 60 homes (CECODHAS, 2012). They cover all parts of the country, urban and rural, and cover the full range of building types (CHFC, 2008).

There are a number of sector support organisations in Canada, both nationally (Co-operative Housing Federation of Canada) and in the provinces. These bodies provide support, services and lobbying - but do not hold assets. To use an example from NSW, they are more like ARCH, the former cooperative peak body, than CENSW. However, in contrast to NSW, Canadian cooperatives own their properties rather than the Government.

Currently there are no Canadian government programs targeted specifically at establishing new housing cooperatives or developing additional cooperative properties. National and provincial governments contribute funding to a program for developing new affordable housing, which can include cooperative housing. With the exception of Quebec, which has separate provincial funding, program conditions have not favoured new cooperative development.

**Victorian initiatives**

The links between approaches to ‘common equity’ in Canada and Australia are complex. In Australia, the term started to be used in Victoria from 1987 with the establishment of CEHL (see Box 3). This followed Canadian practice of establishing new non-equity cooperatives through a mix of grants and debt finance.

While Canadian approaches have led to the formation of a larger number of separate non-equity cooperatives, in Victoria most have been under the auspices of a single organisation - CEHL. This has grown to become a very large housing provider, far larger than any Canadian cooperative. CEHL has also established a successful growth model, for example adding around 200 new properties in 2010-2011 (CEHL, 2011).

The remaining part of the Victorian cooperative housing sector comprises the Rental Housing Cooperatives (RHCs) who lease properties from the State Housing Authority. These non-equity cooperatives are separately registered as housing providers under the community housing regulatory framework. As at October 2012 there are 6 RHCs, managing between 35 and 150 dwellings (Victorian Housing Registrar, 2012).
Box 3: Common equity in Victoria

Community groups met in Victoria as early as 1983 to discuss forming new cooperatives, with the first four established in 1985. At this time Common Equity Housing Finance (CEHF) was founded to administer funding, with new properties financed 65% by State grants and 35% by commercial borrowing. Each cooperative held one share in CEHF, and was responsible for selecting tenants, managing tenancies, undertaking responsive and minor maintenance and coordinating administration. Control over the properties remained with Government, and capacity support provided by four State-funded Resource Cooperatives, similar to ARCH in NSW.

In 1997 a change in Government policy led to sector restructuring. The Resource Cooperatives were defunded, and CEHF became Common Equity Housing Limited (CEHL) with a remit to coordinate finance, support the sector and hold cooperative property assets. It was also agreed that all future residents would need to meet public housing eligibility guidelines (CEHL, 2012b).

The organisation grew rapidly in the early period, from 170 properties in 1989 to 1,500 by 1997 (Milligan et al., 2004). In 1997 Government capital funding ended and CEHL ceased new development until the mid-2000s when greater reliance was placed on leveraging private finance. From 2007, CEHL has been registered as a Housing Association and entered a further growth phase. CEHL successfully applied for 195 National Rental Affordability Scheme (NRAS) incentives, and have delivered 95 properties to date - a greater success rate than average for the sector (Australian Government, 2012). CEHL also benefitted from properties developed under the NBESP, and has bank loans over $90 million.

Properties managed by member cooperatives are classed as being Common Equity Rental Cooperatives (CERCs). These cooperatives are shareholders in CEHL, and elect five CEHL directors, who must be cooperative Members, complemented by six Technical Directors, chosen for their specialised knowledge. The board elect a Chairperson from the five cooperative directors (CEHL, 2012a). In addition, CEHL coordinate Community Managed Cooperatives (CMCs) which are separately constituted cooperatives, with 350 properties, with CEHL acting as landlord. CMCs pay 100% of their rental income to CEHL, compared to 55% paid by CERCs. CMCs do not have direct management control, though have a say in tenant selection and maintenance.

In 2010-2011 CEHL established six new cooperatives, and completed 200 properties. By late 2012 there were over 105 cooperatives and the number of tenancies had risen to over 2,000. Part of the growth in the late 2000s was through CEHL absorbing two Rental Housing Cooperatives.

As at 30 June 2012 CEHL had a net equity of $561 million, making them the highest capitalised housing not-for-profit in Australia (CEHL, 2011). In terms of properties under management, CEHL rank fourth across the country - behind St George Community Housing, Compass Housing and Community Housing Limited.

The model expands

As described in Section 3, part of the common equity approach used by CEHL was brought to NSW in 2009. There have also been attempts to spread the idea to other states:

- **South Australia.** With the support of the State’s peak body, CHCSA, a new entity Common Equity Housing South Australia (CEHSA) has been established. Joining cooperatives have been given a series of possible benefits, and if they are not satisfied with the arrangement can opt-out after three years (Cairncross et al., 2002). One of the benefits of joining is said to be to ‘remove much of the tedium or stress of running a small organisation in these demanding times’ (CHCSA, 2011).

- **Western Australia.** There is a proposal for the peak body, the Federation of Housing Collectives (FOHCOL), to become a community housing provider and act as an umbrella common equity style organisation.
Both these latest expansions of the common equity model have been slow to implement, and it is not clear how many housing cooperatives have joined. This may be due to the current limitations on capital funding from the Commonwealth and States to build new affordable housing. The other issue may be the ‘voluntary’ nature of the call to join the new common equity organisations. In the case of CENSW, State Government made clear that there was no future in remaining independent.

**Benefits of common equity approaches**

The main use of the funds received through the rental levy on individual cooperatives is meeting longer term maintenance and renewal liabilities. Major capital expenditure requires sophisticated planning and budgeting, an activity less suited to voluntary members of a cooperative. By contrast, common equity organisations have the capacity to employ experts with in-depth property skills.

Member cooperatives have varying asset portfolios. Some properties will need major repairs in the short term; others are relatively new and require little expenditure. The common equity model acts as form of risk management pool, with member cooperatives facing high property expenditures able to draw more than their level of contributions through rent. This provides system-wide benefits, and is in accordance with cooperative principles.

Common equity organisations are in a better position to negotiate bulk discounts than would be possible for individual cooperatives. Savings can be achieved on property insurance, auditing fees, bookkeeping costs and property maintenance. These cost savings are possible due to the increasing scale at which CEHL and CENSW operate, and their ability to devote management time to procurement. As a result, the cost bases of individual member cooperatives are lower.

A further benefit of common equity organisations is they have resources that can be applied selectively to member cooperatives facing difficulties. For example, staff time can be devoted to a cooperative with management or administration issues. Help can be given with new rent collection approaches, or the bookkeeping and rent collection can be provided centrally on behalf of the cooperative. This allows the common equity organisation to closely monitor cooperatives in difficulty.

It is also possible for common equity entities to rebate rent payments from member cooperatives if they face unexpected cashflow challenges. However, this level of support can only be in the short term. If there are longer term viability issues, more properties may need to be allocated to the cooperative to boost rental receipts. Alternatively, a merger may be required.

Although member cooperatives may wish to retain more of their rent to spend on their own properties, the common equity approach provides greater longer term security for both their organisation and for the sector as a whole. The common equity management team are accountable, through both formal and informal means, to the member cooperatives. This is a greater degree of influence over property and financial decisions than would be possible if Government exercised control.

**Common equity in perspective**

Cheong (2011: p.31) suggests common equity approaches are a ‘variation of the archetypal model of housing cooperatives in that the ultimate control of the cooperatives lies with the Government, not the members. This has the danger of counteracting some of the cooperative principles in Box 4.
Box 4: Cooperative principles

1 Voluntary and open membership
2 Democratic member control
3 Member economic participation
4 Autonomy and independence
5 Education, training and Information
6 Cooperation among cooperatives
7 Concern for community

Source: ICA (2012)

The real issue concerns cooperative principle 4, autonomy and independence. However, it could be argued that the common equity approach, where member cooperatives have a degree of control over the umbrella organisation, but do not own their assets, is no worse than the previous situation. Without a limited or full equity structure for housing cooperatives in Australia, Government will continue to have a larger involvement than perhaps ideal.

Common Equity umbrella organisations in Australia offer a way for the cooperative housing sector to grow in size. This counteracts the position from the mid-1990s where very few new cooperatives have been formed, and several older cooperatives have merged or ceased operation. The model seems unique to Australia, and in advance of models in Canada where growth has halted.

One of main consequences of Australian-style common equity models is to break the direct relationship between the State and the housing cooperative. This can have benefits for both parties. State agencies have a less complicated set of funding and regulatory negotiations, using a single point of contact for several cooperatives. For the cooperatives themselves, the relationship with like-minded individuals in an umbrella group may be easier than with Government.
2 Housing Cooperative Strengths

This section reviews the benefits of housing cooperative models, for both residents and the wider community. It also highlights several of the challenges with the approach, and the ways these can be overcome. Where possible, practical examples from the NSW case studies, and cooperative member quotations from focus groups, are included to illustrate broader trends.

2.1 Empowering individuals

Member satisfaction

Community housing models of social housing are popular with residents. AIHW surveys highlight the efficiency of this model of housing management in relation to performance indicators, and higher levels of tenant satisfaction compared to the social rented sector as a whole:

- In 2010, tenant satisfaction with services provided was 79% in community housing, compared to 73% in public housing (AIHW, 2012)
- In 2010-11 the equivalent percentage was 89% for CEHL (2011)
- The percentage was 89% in 2011-12 for CENSW (2012b)
- The pattern is repeated in Britain, with a 2009 survey by the social housing regulator showing an 88% satisfaction rating for housing cooperatives as compared to 77% rating for community and public tenants (Bliss, 2009).

Tenant satisfaction scores are hard to compare, in part as question setting and response rates are not standardised. Also, scores tend to be quite high as some respondents fear a negative response will impact their security of tenure. Despite these methodological issues, there is a statistically significant higher level of satisfaction among cooperative housing residents than in the wider social housing sector. This indicates cooperative models of housing provision are popular with residents.

NSW focus group interviewees also supported the cooperative approach. No individuals complained about the cooperative concept, with negative issues limited to operational concerns such as chores and noise. Several members spoke strongly in favour of their experiences:

> ‘I just think that we’re so lucky to live here ... I really appreciate the opportunity I’ve had to live here. I don’t think I’d want to live anywhere else’.

Member, SWITCH Cooperative

Levels of resident satisfaction in housing cooperatives has been researched across eight cooperatives in Australia, the US and Canada (Bunce, 2012). The main conclusions are:

- Greater flexibility with allowing pets to be kept deepened people’s association with their house as ‘home’
- High resident satisfaction was linked to the sense of community felt by residents
- Physical safety and security are very important to cooperative members
- Inter-generational continuity is helped by two or more generations living at the same property.
**Housing access and continuity**

Housing cooperatives offer a range of tangible benefits for their residents. However, the most important is probably access to affordable and stable housing. When interviewed, many cooperative members cite availability of affordable housing in an area where they wish to live as being the main reason for joining a cooperative. In many locations, especially inner areas of capital cities, cooperatives are one of the few housing options.

For many cooperative residents, the main alternative type of accommodation is a private sector boarding housing. In these properties, although rents are set relatively low, there is no security of tenure. Occupation is by licence, not lease, and residents have limited rights. Furthermore, fears for personal security, social isolation, lack of privacy and anti-social behaviour can be the lived reality of boarding house life.

Several NSW focus group interviewees noted that although they had initially moved to a housing cooperative as they had few other choices in the housing market, their experiences had led them to appreciate the range of benefits that this form of housing tenure supplies. Affordability, therefore, is only one part of broader benefits:

<table>
<thead>
<tr>
<th>Why live in a coop?</th>
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</thead>
<tbody>
<tr>
<td>‘The affordability. You can have a life, and be part of the community. Help in the running of the place. Makes it really different to living somewhere where apartments are owned by different people and rented out to other people, and they don’t know each other, and it feels less secure’.</td>
</tr>
<tr>
<td>Member, Ningana Cooperative</td>
</tr>
</tbody>
</table>

Another distinct group of NSW focus group interviewees were far more knowledgeable about the cooperative movement at the time they applied for accommodation. A few were aware of housing cooperatives from their political links, more were introduced to a particular cooperative through word of mouth. For this group of new cooperative members, housing affordability was not the main driver in their choice of residence.

**Landlord flexibility**

Housing cooperatives will often allow residents to stay over the longer term, even as their incomes fluctuate. This has the benefit of providing community continuity, and reducing fears of eviction. Members of cooperatives are in a good position to know which of their colleagues to support in difficult times, and will understand who contributes most through attending meetings and carrying out property tasks.

Although the flexibility with cooperative residents could be a problem, if not controlled, the impression gained from the NSW focus group interviews was that discretion was used sparingly, and subject to agreement by the wider membership. If anything, procedures were getting tighter:

`We’re a bit more stringent than we used to be … We’ve had to make a few hard decisions over the last few years`.

**Building skills**

Cooperatives operate on the principle of one member one vote, with every member having a democratic and equal right to participate. Members vote on policy and strategic matters, with day-to-day operations normally handled by cooperative officers. Member involvement in decision making is through regular cooperative meetings, usually held monthly. These allow for informal social interaction, forming an important part of building a consensus of opinion.

Members of cooperatives have the chance to build their individual independence and learn new skills. Cooperatives provide a
non-threatening community, and meetings are a comparatively easy environment where individuals can broaden their outlook on life in general.

Cooperative housing is a systematic way of empowering ordinary people to make decisions and participate. Through a mix of informal and formal processes, cooperative housing structures lead to comparatively high numbers of people participating in democratic decision-making. Members will have the opportunity to learn skills in:

- Problem solving, for example with maintenance issues
- Negotiation with contractors, the Council or the common equity organisation
- Conflict management, particularly in disputes between residents
- Good business practice: attending meetings, voting, understanding finances.

The above skills are acquired in part through observation and direct experience within the housing cooperative. However, the common equity organisations in NSW and Victoria also provide more formal training courses and workshops. Computer and other skills learned this way will increase members' opportunities to participate in the workforce or pursue further education (CEHL, 2007).

Involvement in running a housing cooperative can benefit the people who take part. Individuals in a research project in England reported increased confidence and skills, which were used as a resource within the local neighbourhood. These links between housing cooperatives and local community projects helped strengthen network links and promote greater cross-sectoral working (Cairncross et al., 2002).

The role of a housing cooperative member is different to being a social housing tenant, and there is more involvement than is common with most renters or owners of private sector strata developments. The principle of encouraging people to participate in decision-making is of fundamental importance throughout society, but particularly with social housing where tenants have often become disempowered.

Because people who live in cooperatives democratically manage their homes, they are able to take responsibility and build a sense of belonging, identity and ownership (Bliss, 2009). Cooperative membership therefore blurs the lines between the traditionally more assertive role of landlord and passive role of tenant:

“We’re all landlords and tenants. So we have a complete say in the running of the place. Self-determination”.

Member, Ningana Cooperative

Having developed skills through being a member of a housing cooperative, there is overseas research that suggests people engage in other community activities, including volunteering as school governors, or participate in various community activities (Bliss, 2009). This then helps build social capital, as detailed in Section 2.2.

**Feeling of security**

Housing cooperatives offer a sense of belonging, where there is a greater likelihood of residents getting to know their neighbours. This is particularly true for co-located housing, a common form of design in NSW. Furthermore, for cooperatives formed through communities of interest, the members will have more in common. For example, they may be from the same language group or be single parents.

Having neighbours to turn to, and keep an eye on a members’ wellbeing, is particularly
important for vulnerable groups. This can include older people, young families and people having experienced domestic violence. During the NSW focus group interviews, security was mentioned as being a major issue for single parents:

‘Seven women, seven different personalities. We don’t all get on. That’s being honest … But we all feel safe together. Our children can play outside without fear … It’s the security that we find for ourselves and our children, that’s the good thing about it’.

Member, SWITCH Cooperative

2.2 Community building and neighbourhood cohesion

Housing cooperatives play a role in developing stable, functioning communities. ‘Community capital’ is often taken to be the level of trust and communication that exists between various groups within a community. It is also referred to as ‘social capital’, and can be seen as the social networks and systems that constitute civic society (Putnam, 1993). Social capital is a largely built through the workings of not-for-profit and voluntary organisations.

Case studies in the housing literature, and undertaken as research for this Report, highlight the inclusive nature of cooperative housing organisations. Cooperatives also contribute to a cohesive and friendly community through their ability to develop high levels of bonding capital and making a place into a vibrant community.

Sense of community

The housing cooperative becomes a social unit for many members, establishing their identity within the community. Sometimes these feelings will be heightened among special interest groups, particularly those that face barriers to integrate in the local area due to language differences:

‘We’re close to the Vietnamese community. We have neighbours who can help. If you were in other public housing you may find the neighbours not helpful’.

Member, Van Lang Cooperative

The NSW case study cooperatives reviewed for this research all had common rooms, or access to a neighbouring community centre. These spaces were used for member meetings, as well as variety of other group activities. In the case of the Albury Cooperative, these spaces were shared with the neighbouring community. For Alpha House Cooperative, public art events and displays help integrate the artists’ cooperative members with the local community.

The communal neighbourhood spaces in housing cooperatives are used for a variety of purposes. At Van Lang Cooperative, members meet for tea and many share lunch. Other housing cooperatives share food growing, film nights, workshop space, child care, and informal car-pooling (Crabtree, 2006a).

Cooperative residents have a greater chance of getting to know neighbours, and therefore feeling less socially isolated. New people can be met at the cooperative meetings, and there is likely to be greater stability of local residents than in mainstream social housing, or in the private rented sector:

I’ve lived in a block with six units and I was there for 7 or 8 years and the only people I knew were the people next door. The other people just kept coming and going and you didn’t get to meet anyone’.

Member, SWITCH Cooperative

Before a new member is admitted to a cooperative, they will have attended one or two meetings with existing members. This allows individuals to establish whether cooperative living is suitable for them, and if they share values and norms with existing and new members. It also acts as part of the
induction process into the cooperative, though much of this will be informal:

‘I only moved in a month ago … I knew a bit about coops, and knew it would be a good choice for me. What appealed to me was the independent living but the community interaction … So far I’ve enjoyed everything, meeting people, everyone’s really friendly, and they’ve inducted me into the place in a way that’s felt very welcoming’

Member, Ningana Cooperative

Although there is a strong sense of community at the NSW case study housing cooperatives, the way in which this is evidenced is changing. As noted in Box 1, at Ningana there are fewer social events than in the past. The change may be due to an influx of newer cooperative residents, or be an impact from how technology is used:

‘The reason why things have changed with the social aspects of this place is the mechanics of today. People have got their own computers, their own televisions in their own rooms … Before, a lot of people used the common rooms’

Member, Ningana Cooperative

Community support

Many housing cooperative members would not want to live in any other type or tenure of housing, mainly because of the mutually supportive communities they have helped established. In the cooperative, people have friends and neighbours who will look out for them. In many cases people entering housing cooperatives will have weak social networks, for example a result of family-breakdown or domestic violence.

The support between cooperative members can be both through friendship and emotional backing, as well as more practically orientated. Several examples were given during the NSW focus group interviews. One elderly Vietnamese member of the Van Lang Cooperative noted ‘we’re happy living here, people help each other’. A younger woman at SWITCH commented:

‘We all look after each other … I’ve been sick and I’ve rung an ambulance and I’ve got people saying ‘are you alright, do you want me to do anything for [my son]’. I know one of the other ladies who lived here had a knee operation and a neighbour and I were taking it in turns to cook her dinner. There’s that support you wouldn’t get anywhere else. It’s nice to know you can knock on someone’s door and get help’.

Member, SWITCH Cooperative

The support given by cooperative members to other members is normally on a voluntary, informal basis. However, there are also examples of cooperative moving more into the field of social enterprise. For example, establishing child care exchanges, purchasing groups and provision of organised direct assistance to older residents and disabled people (CEHL, 2007).

Neighbourhood effects

The Commonwealth Government has a target of reducing social exclusion, in other words to provide opportunities for people who ‘are trapped in a spiral of disadvantage caused by family circumstances, low expectations, community poverty, lack of suitable and affordable housing, illness or discrimination’ (Australian Government, 2010b: p.1). These neighbourhoods are often, but not always, in areas with high concentrations of social housing.

Cooperatives set up in neighbourhoods where there is a lack of trust and fractured community spirit can help to transform them. This can be achieved through helping residents feel like they are part of the community.

Beyond the benefits for individual residents, cooperative housing has a ripple effect on the local neighbourhood. It can leverage
broaden community benefits such as more trust between neighbours, and increased civic participation. All these benefits translate into the development of an economically stronger and more socially engaged community.

Housing cooperative members tend to have good relationships with their neighbours in the local community, and are likely to become engaged in neighbourhood initiatives because they have a secure long-term perspective of their place in that neighbourhood. This can represent an important contribution to social cohesion and community sustainability.

British research positions not-for-profit housing providers as ‘community anchors’ in the neighbourhoods where they operate. Though they cannot provide all the answers, they are often best placed to bring together the services of a number of different agencies (Wadhams, 2006). Housing cooperatives can act as a ‘local hub of social, cultural, recreational and economic activity’ (quoted in Bliss, 2009: p.42).

Research by Ziersch and Arthurson (2007) reviewed the level of involvement in local voluntary organisations in Adelaide by owner occupiers, private renters, cooperatives, public housing and community housing tenants. The conclusion was that ‘tenants in housing co-operatives were the most involved of all five tenures’ (ibid). This reinforces the spill-over benefits for the wider neighbourhood in providing housing through cooperative models.

2.3 Cost effectiveness

Although housing cooperatives are not promoted in terms of their ability to deliver services at lower cost, this is one of the advantages of using the model. Cost savings benefit both the housing cooperative, and reduce the cost to government of providing the additional support services required for certain higher needs social housing tenants.

CEHL (2007) estimated the value of savings from running their 1,500 properties through a community housing model was over $1.8 million per year. This was based on volunteer members taking responsibility for tenancy management and coordinating routine maintenance. This is a saving of $12,000 per property per year.

The CEHL report also notes the public subsidy per property is considerably lower for cooperative than other forms of social housing. The organisation has over the decade made an operating surplus after paying running costs and serving debt costs on the 35% capital contribution towards property procurement. Since 2007, CEHL has been able to function without on-going Government subsidy.

Earlier research in Britain confirmed organisations where tenants were involved in running a housing organisation offered ‘superior value for money’ than traditional social landlords. Furthermore, the organisations that were the ‘most effective and offering the best overall value for money were those which provided their members with the greatest control over their housing management, finances and environment’ (Price Waterhouse, 1995: p.119).

**Member contributions**

Unlike cooperative models used in many parts of the world, particularly northern Europe, Australian cooperatives do not require their members to invest capital. However, they generally expect members to give their time for cooperative business. This may involve attending meetings, carrying out administrative tasks, maintaining the garden or negotiating maintenance contacts.

From the NSW focus group interviews, the amount of time given by members varied
between individuals, and over time depending on whether major tasks are required. Some suggested one hour per month, others - mainly who serve as office holders - may put in 15 hours per week.

‘Every two months we have a ‘busy bee’ where we spend half a day around the common grounds, cleaning and tidying up’.

Member, SWITCH Cooperative

The time of cooperative members in performing necessary tasks reduces the need for full time staff to be employed, and therefore saves money. This allows tenancy management and property maintenance to be delivered at a lower cost than in conventional social housing.

Cost efficiencies

Because housing cooperatives are run by their members for their members, they operate at cost and have no reason to substantially increase expenditures. The operating budget covers only what is required to manage and maintain the cooperative. In addition, because cooperative members control the budget, they can achieve cost savings through higher levels of self-management.

As with social housing, property run by housing cooperatives is less subject to land speculation. This helps keep rents and prices for cooperative housing relatively low. Most cooperative properties were acquired many years ago at modest cost, and in the example of case study SWITCH Cooperative benefitted from a land donation from a generous benefactor.

Cooperative members are owners of their housing business, and have a vested interest in it. They are less likely to either fall into rental arrears themselves, or tolerate arrears from fellow members (Rowlands, 2008). Members are quickly able to draw a connection between the efficient running of the organisation and the savings to the housing cooperative. For example this may encourage vacancies to be quickly filled.

Cooperative residents are responsible for the management of repairs and budgets and coupled, with a sense of ownership, results in well cared for and maintained properties. This lowers maintenance costs for the State compared to other forms of social housing (FOHCOL, 2010). Members understand issues on their properties from day-to-day contact, and can ensure minor repairs are completed quickly to prevent the need for more expensive large repairs - for example with a water leak.

Housing cooperatives often provide housing at costs below the price of a similar home in the open housing market. One reason is that the prime objective of cooperatives is to provide good quality and affordable housing for their members, and not to pay profits to developers or shareholders.

Ending the dependency culture

Housing cooperatives are able to provide sustainable, mutually supportive communities with less reliance on State benefits and support. Many of the people interviewed in the NSW focus groups were employed, though often in lower paid and part time jobs. Unlike some public housing estates where there are generations of families who have not worked, housing cooperatives generally have good role models of employed people.

A cooperative is a very different societal model to detached welfare. Cooperative members are expected to contribute, both ideas and time. For people who have been unemployed and homeless, life skills acquired as a cooperative member may increase chances of finding work. Hence cooperatives can play a part in ending the dependency created by an expectation that the State will always provide (Bliss, 2009).
Many benefits of cooperative housing, for members and the wider community, are intangible and hard to measure. Comments made during the focus groups support the often-mentioned qualitative assessments. However, there are also approaches that use quantitative methods - for example Social Return on Investment (SROI).

SROI aims to help understanding and value the social, economic and environmental outcomes created by an activity or an organisation. It seeks to include the values of benefits that are often excluded from markets, through including a value. SROI is best seen as a framework to structure thinking and understanding, rather than a set of precise 'scientific' numbers.

Box 5 shows the benefits identified by SROI consultants for residents living in Australian community housing. The fourth category, ‘community inclusion’, was acknowledged to be the hardest to quantify, and therefore no numbers were included. Net Balance estimated the total SROI across the community housing sector was $176 million per year. Of the benefits, 44% were economic, 42% educational and 14% health.

The benefits achieved in Box 5 could be achieved through various forms of well-run social housing - public, community or cooperative. In a further study, Net Balance (2012) reviewed SROI for a single cooperative within CEHL that was established in May 2011. Using a slightly different methodology, the report found a social value of $3.78 was generated for each $1 of input costs during the first year of the cooperative’s operation.

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**Box 5: SROI for community housing**

**Economic benefits:** greater financial flexibility for low-income households as a result of alleviation from 'housing stress'

**Educational benefits:**
- Enhanced educational performance for children in community housing
- Educational or training opportunities for adults, that will improve their employment prospects

**Health benefits:**
- Improved overall health
- Reduced demand for health services for ‘heavy-users’ and disabled populations

**Community inclusion benefits:**
- Greater empowerment of tenants
- Emergence of support networks foster self-reliant and independent communities

As shown in Figure 1, the approach with the Lakewood Cooperative was to value educational, health and community inclusion benefits. This contrasts to Net Balance’s earlier work for the community housing sector which quantified economic, educational and health benefits.

The split of SROI in Figure 1 can be analysed between:

- **Personal benefits**: 60% - better health, improved personal financial management, increased employment readiness and sense of security

- **Community benefits**: 40% - increased community inclusion, reduced costs in providing intensive child care support, medical aid and managing the housing waiting list.

Net Balance suggest their SROI calculations ‘confirm the unique value of a community managed co-op model of housing … Lakewood is providing an enabling environment where tenants are able to build up confidence and motivation, regain control of their financial position, health, and aspire for and achieve more than just subsistence goals’ (ibid, p.6). Lakewood is a CMC with CEHL, therefore members have a reduced say in running their affairs compared to if they were a CERC-style cooperative.

In a further SROI study for a Victorian community housing organisation, research carried out by Social Ventures Australia (SVA) found a return of $3.14 for each dollar invested in affordable housing (VWHA, 2010). Again, the methodology was slightly different - over half the SROI benefits were from rental income and property uplift benefits for the social landlord. Additional benefits that the SVA report said could not be monetised included:
• Increased feelings of stability, safety, comfort and happiness

• Positive outlooks and confidence gained now that the resident could feel they were in ‘my home’

• Improved family relationships, such as being reunited with children, parents and extended family through having a home. Also the increased happiness experienced as a result of better family and partner relationships.

The Australian SROI research to date helpfully identifies the range of benefits to be gained from safe, secure housing. Several benefits could be obtained from moving from homelessness into public housing, while others seem more likely to be achieved through community housing approaches. The cooperative model appears best at improving community cohesion, though most of the gains are for residents rather than the wider community.

Despite questions on methodology, and problems comparing studies, SROI studies reinforce the value-added of cooperative housing models beyond ‘bricks and mortar’.

2.4 Delivering a housing continuum

While home ownership historically has provided secure opportunities for many Australians, it has never offered a solution for all households, and not at every stage of their ‘housing career’.

With private rentals, problems with quality, security of tenure and affordability suggest the sector provides, at best, an insecure dwelling option. It has also become increasingly unaffordable. Many middle income people unable to buy a property are renting in the private sector, pushing up prices particularly in central city locations.

There are an increasing number of people in work who cannot afford property even in lower cost areas. Their incomes are too high to secure social rented housing or Commonwealth Rent Assistance for use in the private market. This group are said to be trapped in the middle, in an ‘intermediate housing market’ (Wilcox, 2005).

The three dominant tenures of private purchase, private rental and social rental continue to play important roles in the Australian housing market. However, with home ownership unlikely to expand, and the rented sectors unable to meet all needs, ‘intermediate housing’ alternatives will have to be developed.

Cooperative housing has the potential for growth and innovation to respond to current housing challenges (Bliss, 2009). Given the low starting point in Australia, it is unlikely to become a major form of housing tenure. However, it has the chance to increase diversity and perhaps offer pathways for cooperative members to transition to market rate housing. It is well positioned to be one way to fill the gap between high need social housing and unsubsidised market housing.

The opportunity for housing cooperatives to act as an intermediate form of housing is limited by State Government policies over the last two decades. As property is either leased from, or funded by Governments, cooperatives have been obliged to take a greater proportion of higher needs tenants. The residualisation of cooperative housing is following trends in mainstream social housing.

To be most effective, housing cooperatives need to be allowed to have a mix of income groups, not just house the very poor. Some rents could be set at a maximum of household incomes, others at market rents. This enables cooperatives to act as mini ‘mixed communities’, with a range of resident income levels.
In contrast to Australia, most international cooperative housing sectors are aimed at a wider cross section of the population. For example, most Scandinavian cooperative housing is aimed at an intermediate market, the Norwegian cooperative housing being a sector of choice for middle income earners.

## 2.5 Risk and issue management

### Governance risks

A common issue with housing cooperatives is that the same small group of people will be involved. This may lead to favouritism and factionalism, and potentially irresponsible expenditure. Alternatively, the group of cooperative leaders may leave, and there will be no members available to continue administrative tasks.

Housing cooperatives are able to select new tenants, and operate at arms-length from the public housing waiting list. This can lead to concerns over bias, and accepting members who do not meet the appropriate criteria. However, each housing cooperative has policies and procedures for tenancy selection, and the process normally involves an elaborate set of procedures, open member meetings and form-filling.

Lower than desired levels of participation is a theme running thorough the international literature (Rowlands, 2008). It was also an issue picked-up from the focus groups:

> ‘In common with every other cooperative in Australia there is a problem with participation, Of the 52, I reckon half of people come to meetings and do their chores’.
> Member, Ningana Cooperative

Involvement in running a cooperative is a dynamic picture. Some cooperatives may go through periods of modest member involvement, and then will be refreshed by the influx of new active members. The case study cooperatives have survived through several generations of members, with a good overall record of sustainability.

With governance issues, some are major and significant problems requiring considerable resources to put them right. However, most are mundane and more easily resolved by the cooperative members themselves. Risk within individual cooperatives in NSW and Victoria is relatively modest as property assets remain held by the common equity body.

### Practical challenges

Although there were no major criticisms of the housing cooperative model, the NSW focus group interviews highlighted a series of members’ concerns about minor matters. These concerned the actions of particular residents, levels of participation, noise and maintenance of communal areas. Many of these were similar issues that might be expressed by members of a private strata management organisation.

NSW focus group interviews were with the actively involved members - not by design, but by self-selection of the attendees. Therefore it was perhaps not unexpected that interviewees expressed concerns that some members contributed more than others.

Some interviewees noted there were issues living in close proximity to other cooperative members. This was a view expressed by people who had previously lived in larger accommodation, for example a family home before marital breakdown. However, some acknowledged smaller living space was a direct trade-off for paying lower rent:

> ‘Sometime when I want to be on my own, I’d like a little private space to sit outside. But the affordable rent makes up for that. I think you get more good than bad living here’.
> Member, SWITCH Cooperative
In the one (unsolicited) written response for this research, a cooperative member noted ‘life is not love and sweet roses here at Ningana, that we do have problems too’. The letter concerned noise problems, and resulting tension between residents. While such matters are becoming more common with higher density city living, being within a cooperative at least provides a forum in which issues can be resolved - although this does not seem to have happened in the case of the Ningana example.

Managing risks

While there is evidence of governance and other problems in housing cooperatives, it is possible to create systems of support, and checks and balances, to minimise problems arising or deal with them in a timely way.

In countries without strong cooperative support networks, risks facing cooperatives are greater. For example, in Britain cooperatives remain as independent organisations and ‘access to robust support, advice and guidance is essential for cooperative and mutual housing’ (Bliss, 2009). In NSW and Victoria, with the common equity approach, support is readily to hand within a formalised structure.

The arrival of comprehensive community housing regulation in Victoria and NSW in the mid-2000s, and the proposed roll-out of national regulation by 2013-14, is reducing risk within the sector. Victoria and NSW have the largest cooperative sectors across Australia. In these States, tried and tested procedures are in place through which the common equity organisation can monitor the performance of individual cooperatives.

CENSW, like its predecessor organisation ARCH, provides information to individual cooperatives and training for members. This covers issues such as risk management, and dispute resolution. CENSW run a regular series of regional workshops, and there are frequent visits to individual cooperatives. This includes visits to cooperatives located a considerable distance from head office, such as Albury.

Common equity organisations also put in place direct controls in cooperatives than minimise risks. For example, CEHL ring-fence 80% of retained rental income to be used for direct property expenditure. Detailed financial reporting is required by the cooperatives, to the regulator, to general meetings and to common equity. Elaborate procedures have been established for multiple signatories on bank accounts. At year-end, financial accounts need to be signed-off by independent auditors.

If matters become more serious, for example a complete break-down of governance, common equity organisations can take-over direct management of a cooperative. This has happened from time-to-time. Either new members will be selected to administer the cooperative, or a merger promoted. This type of intervention is more seamless given that there is as an intermediary organisation in existence with sector knowledge and shared values.
3 Contemporary NSW approaches

This section reviews the move to a common equity approach in NSW, and summarises the main outcomes of research interviews with case study cooperatives and sector stakeholders.

3.1 The NSW housing cooperative sector

The main model of establishing housing cooperatives in NSW was for properties owned or acquired by the State Housing Authority to be managed by specially established cooperatives. The cooperatives were responsible for day to day maintenance and tenancy management, with the State retaining asset ownership and responsibility for major building work.

In some examples, such as Ningana and Alpha House, the cooperatives had a radical and grass roots ancestry before the State became involved in asset ownership. However, many cooperatives were formed specifically to take advantage of funding and provide affordable accommodation to specific needs groups that did not feel well catered for by mainstream social housing.

Intermediate step: ARCH

Formal coordination of the NSW housing cooperative sector started with the establishment of the Association to Resource Cooperative Housing (ARCH) in 1989. ARCH, itself a cooperative, acted as a peak body both helping establish new cooperatives and providing advocacy and capacity building services to members.

From 2004, ARCH worked with the NSW Government and the housing coops to bring about sector consolidation, in part due to the need to meet ever-stricter Government requirements. During this time the number of housing coops reduced from a peak of 55. By 2008, the sector had just 35 cooperatives, ranging in size from four properties at Wollongang Cooperative to 54 at Ningana Cooperative. Only three housing cooperatives had 20 or more properties, and would be seen by contemporary viewpoints to be at critical mass (Alt & Rowe, 2008).

ARCH played a central role in sustaining the cooperative sector, building capacity and increasing professionalisation. However, the NSW Government by the late 2000s was investigating common equity structures, having investigated CEHL’s approach. Also, Government wanted to streamline the roles of the three community housing peak bodies.

Common Equity NSW established

CENSW was established in late 2009 as a not-for-profit company limited by guarantee. The move from ARCH to CENSW was promoted by State Government, in part to reduce complexity in monitoring funding agreements through Community Housing Division. Also, an intermediary body such as CENSW was able to more easily fit within the new regulatory structure. In 2010 CENSW became a Class 2 Registered Community Housing Provider.

The purpose of CENSW was ‘developing a new business model for the cooperative housing sector in NSW, aimed at better utilising resources available within the sector and leveraging additional funds to increase the supply of affordable housing’ (Alt & Rowe, 2008: p.iii). Therefore, CENSW was linked to a growth model for affordable housing, and would be able to access recent Commonwealth funding packages.
A major driver for establishing CENSW was to allow a pooling of assets in a single entity with professional, full time management. Subject to the eventual transfer of title from Housing NSW to CENSW, the new entity would be similar to CEHL in structure. However, CENSW would differ from CEHL in that it would require existing cooperatives to pool their resources. CEHL cooperative members had never been fully independent.

Establishing CENSW led to conflicts within the NSW cooperative sector. ARCH had both supporters and detractors. Several cooperative members opposed the transfer of their reserves, and a portion on ongoing rental income to CENSW. Some cooperatives merged or closed rather than accept the new structure. However, with the Government as funder and asset holder backing the transition, many in the sector saw CENSW as the least worst option.

Box 6: Case study - Alpha House Artists’ Cooperative

Alpha originated as a grass roots organisation in 1982 when two artists established a loose collective to provide affordable accommodation in the inner city, together with studio space for artists. After an early battle with the City of Sydney, who threatened eviction from their original building, a housing cooperative was formed and property bought by the State Housing Authority and leased to Alpha. However, this was only after a series of lengthy battles, Ombudsman’s investigations, lobbying and design conflicts that finally ended in 1994.

The Alpha Cooperative now houses 28 mainly single people in 12 connected townhouses in Erskineville. The properties are a mix of 2, 3 and 4 bedroom units, with larger properties offering shared ‘flat mate’ style accommodation with communal lounges and kitchens in each property. Homes are arranged around shared gardens which provide space for barbecues and events. There is also a well-equipped shared arts studio, art gallery open to the public and meeting room. The Artists stage regular arts shows, and have a well organised website (www.alphahouseonline.org) which helps capture the story of the cooperative’s growth and current work.

Alpha members encompass varying members of the ‘creative class’, from painters and poets, to academics and authors. They form a classic community of shared interest, and often collaborate on projects involving more than one art form. The early struggles to establish the cooperative form a basis for a shared collective identity, and there are a number of older members who have lived at Alpha since the early days.

From radical originals, Alpha has matured into a stable housing cooperative. Residents are positive about living in the cooperative, and there is a higher than normal level of interaction between residents. Some contribute more than others to running the cooperative, and some of the bookkeeping and cleaning of common area tasks have been outsourced.

Roles and responsibilities

The basic business structure for CENSW was modelled on the tried and tested approach used by CEHL in Victoria:

- Housing cooperatives are the shareholders of CENSW.
- CENSW directors a mix of housing cooperative members, and independent technically qualified professionals.
- Housing cooperatives pay 55% of their gross rental income to CENSW, retaining the balance to fund tenancy management, and responsive and cyclical maintenance.
- CENSW have responsibility for acquiring new properties, and major property upgrades.
- New cooperative residents are selected by existing members, and most must be financially eligible for public housing.
• Rents are set based on household’s paying a maximum 25% of income on rent (adjusted for Commonwealth Rent Assistance) up to a cap of average market rents in the area.

CENSW in practice

The 55% of rent paid by member cooperatives to CENSW provides resources for the organisation to broadly support the sector. It is a source of funding independent of Government, unlike with ARCH, and therefore allows the cooperative sector to act at arms’-length from the State. This makes it less likely to be faced with defunding if the political mood changes.

One of the main goals for CENSW set by the Government has been achieved. The NSW cooperative sector has now entered a growth phase, based on the use of Commonwealth funds and commercial approaches. CENSW has developed 23 new properties using NRAS incentives, and received a transfer of 120 properties from Housing NSW under the NBESP. These approaches make CENSW similar to a medium sized community housing provider.

While the self-developed NRAS properties appear on CENSW’s balance sheet at $6.8 million, there has been no transfer of assets from Housing NSW (CENSW, 2012b). This applies to both the legacy assets managed by individual cooperatives, and the NBESP properties. As a result, it is not possible for CENSW to raise a medium sized bank loan and develop a number of new cooperative houses. Growth opportunities are limited to using accumulated cash balances, and possibly small bank loans secured on the NRAS properties.

The consultants’ report prepared in 2008 to support the NSW Government’s move to a common equity approach recommended ‘the preferred approach for a holding company model in NSW would be for the company to have title to the properties within the co-ops sector’ (Alt & Rowe, 2008: p.17). As a less desired alternative, long term leases from Housing NSW, was said to be workable but ‘likely to constrain the central company’s flexibility in asset management … and the extent to which the company can leverage the sector’s properties’ (ibid).

Neither asset transfers nor long term leases have taken place. The NSW Government is continuing to review asset holding strategies across the social housing sector, and a number of community organisations are in a similar position to CENSW, at least in respect of their NBESP properties.

3.2 CENSW profile

A full list of CENSW cooperatives is shown in Table 3. The size of the 34 organisations ranges from 4 tenancies to 51, and they accommodate between 6 and 84 people. Including directly managed accommodation, CENSW coordinates 428 properties, with 506 tenancies housing 919 people.

In terms of number of tenancies per cooperative, the median is 9. Only a quarter of cooperatives have 20 or more properties, the critical mass for a cooperative based on research by CEHL. On average, therefore, CENSW’s cooperatives have around two thirds the number of tenancies of CEHL.

Of the 34 cooperatives, half cater to niche resident groups. The largest group of specialised cooperatives focus on particular language, ethic and cultural populations. There are also cooperatives focusing on people with a disability, seniors, students and women with children. General cooperatives state they cater for low income singles and families.

CENSW are responsible for a relatively significant portfolio of directly managed properties. The 67 tenancies house 105 people, comprising 13% of total tenancies.
<table>
<thead>
<tr>
<th>Name</th>
<th>Properties</th>
<th>Tenancies</th>
<th>People</th>
<th>Size marker</th>
<th>Location</th>
<th>Location marker</th>
<th>Target residents</th>
<th>Resident marker</th>
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<td>Regional</td>
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<td>Specialised</td>
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<td>Specialised</td>
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<td>Darlinghurst</td>
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<td>Broad</td>
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<td>Merlo</td>
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<td>People with physical disabilities</td>
<td>Specialised</td>
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<td>Inner metro</td>
<td>Single young women 16-25</td>
<td>Broad</td>
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<td>Haberfield</td>
<td>Inner metro</td>
<td>Singles</td>
<td>Broad</td>
</tr>
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<td>12</td>
<td>20</td>
<td>Medium</td>
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<td>Inner metro</td>
<td>Artists (singles and single parents)</td>
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<td>Enmore</td>
<td>Inner metro</td>
<td>Singles</td>
<td>Broad</td>
</tr>
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<td>10</td>
<td>34</td>
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<td>Seniors</td>
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<td>Amandale</td>
<td>Inner metro</td>
<td>Seniors</td>
<td>Specialised</td>
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<td>Keiraville</td>
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<td>Bangalow</td>
<td>Regional</td>
<td>Single women and women with children</td>
<td>Broad</td>
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<td>11</td>
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<td>Petersham</td>
<td>Inner metro</td>
<td>Single women and women with children</td>
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<td>Watch</td>
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<td>14</td>
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<td>Directly managed</td>
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<td>67</td>
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<td></td>
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<td><strong>Total</strong></td>
<td><strong>428</strong></td>
<td><strong>505</strong></td>
<td><strong>919</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
With a couple of exceptions, the majority of CENSW cooperatives are located in the Sydney metropolitan area. This allows for convenient access from head office in Darlinghurst. Two cooperatives - Albury and Nelson Bay - are a far longer travelling distance. Within metropolitan Sydney, there is an arc of cooperative properties stretching from the Eastern suburbs, through the inner west and to the outer west in Fairfield, Holroyd and Parramatta.

Of CENSW’s property portfolio, 94% are managed as social housing, and 6% as affordable housing financed through NRAS incentives (CENSW, 2012a). Across all properties, 78% of members pay rents based on a maximum 25% of household income, and 22% market rents. This indicates the NSW cooperatives achieve mixed income communities, while still mainly accommodating lower income groups. Only around 10% of cooperative households have incomes over $1,000 per week, which is around the median household income for greater Sydney.

The Annual Community Data Collection report shows 35% of cooperative households do not speak English as a first language. This is in line with the specialised theme of many cooperatives which cater to particular language groups, though it separates CENSW from CEHL which has a lower proportion of specialised cooperatives.

3.3 Member perspectives

Role of CENSW

The focus group interviewees generally saw the transition to CENSW in 2009 as being, at worst, an inevitable consequence of Government policy. For the Albury Cooperative, joining CENSW was thought a better option that being absorbed within Housing NSW, or the local community.
Other cooperative members saw CENSW more positively:

‘It’s better with Common Equity than ARCH. There wasn’t much communication in the past, and it was always late. But the move was controversial. Much uncertainty and fear’.

Member, Albury Cooperative

The legacy of disputes over the formation of CENSW remain, but as a distant memory. Possibly some of the opponents of the move have now left cooperatives, or their grievances proved short-lived. The impression gained by the researcher was that the existence of CENSW had become ‘normalised’, and no mention was made of leaving the organisational structure.

A number of interviewees, particularly those who had lived in a housing cooperative for more than a decade, noted that the environment had changed. Regulation of community housing, health and safety legislation and council regulations had all tightened. This would make it harder for individual cooperatives to run on a voluntary basis. Therefore the existence of CENSW made it easier for cooperative members:

‘Some people were really opposed to Common Equity. I thought it was good to move to a more responsible and professional approach … When we started it was quite simple [running a coop] but now it gets more and more complex, and expensive, and a huge set of responsibilities … It’s now much easier for us’.

Member, Alpha House Cooperative

However, there was an acknowledgement that CENSW had been tightening procedures, with more information required on a quarterly basis. This was not seen as negative, probably because there was feedback from interviewees of high quality service provided by CENSW staff. The working relationship between CENSW and the cooperatives was seen to work well:

‘It’s more regular than with the Department of Housing, more was done annually … Though Common Equity have simplified a lot of things’.

Member, Alpha House Cooperative

Just as there are greater data collection responsibilities for cooperatives, CENSW also faces a challenge in administering and reporting on a growing, medium sized affordable housing portfolio. There could be opportunities for more streamlined data management in order to provide a more definitive analysis of numbers of properties, tenancy types and resident profiles.

Cooperative members generally understood the role of CENSW as an intermediary organisation. Members often build close contacts with CENSW staff, and do not have to have direct contact with Housing NSW staff or the Community Housing Regulator. This was seen as a preferable situation to before CENSW’s formation:

‘Common Equity is a good lever for us with the Department of Housing, which is a good thing … Some people may have lived in Department of Housing housing - they’re not easy people to deal with’.

Member, Ningana Cooperative

Mention was made about the level of rent that needed to be paid to CENSW, and sometimes it was suggested this was too much. However, other interviewees commented that the funds provided a reserve to pay for longer term repairs. There was also a view expressed that in time new properties could be delivered. Expanding the cooperative sector was seen as being an important mission for CENSW, and part of the reason for their existence:
The long term impact of Common Equity has really been financial. They take part of our rent. And our equity was a nest egg. But I see that we’re investing in Common Equity who can help make the coop sector a lot bigger.

Member, Alpha House Cooperative

Rent setting

Most case study cooperatives estimated the majority of their residents - typically two thirds - are on low incomes, either pensions, benefits or poorly paid jobs. In such cases residents pay rent set at a maximum 25% of household income.

The case study cooperatives rent a number of their properties to low-to-moderate income households at market rents. This provides several practical challenges. Many of the properties do not have equivalents in terms of size and communal layout in the private sector. It is therefore hard to establish what the ‘market’ rent will be - as there is no market.

Furthermore, inner city properties run by Ningana and Alpha House are in areas having undergone rapid gentrification. Local private sector rentals have risen at a fast pace, and arrangements are in place for cooperative rents to rise over time to close the gap. However, there is a potential conflict given one of the main objectives of inner-city cooperatives is to preserve affordability in rising-cost areas.

Cooperative running

Four of the five case study cooperatives demonstrated active member participation along traditional models that characterise the sector. Members meetings are held monthly, with decisions arrived at through consensus. The exception was Van Lang Cooperative where the age of the members limits the extent of their involvement, and meetings are now held quarterly.

Much of the communication between Van Lang members and the other organisations, including CENSW, is through a bi-lingual support worker. Although this approach works well, it shows how cooperatives with aged and/or non-English speaking populations need different approaches.

Tenancy terms

During the focus groups there was often a lack of consensus between attendees on the income eligibility for tenants and rent setting. This may be as a result of several members having joined the cooperative when conditions were different. However, it confirms previous studies’ findings that suggest this is one area where consistent monitoring and control is required.

Although new cooperative entrants need to have a low enough income to be eligible for social housing, many existing residents now have moderate incomes. In part, this could be a sign of success as individuals benefit from stable accommodation and are able to enter the workforce. The cooperatives must take applicants in the correct income band, though do not need to take those with special and complex needs. Also, they do not apply upper income limits to members once they are residents.

As a result of the initial and on-going eligibility requirements for cooperative membership, and the impact of members on higher incomes remaining in residence for many years, there is a greater mix of tenant types than typical for NSW social housing.

This resident mix has benefits, both in terms of higher rental receipts for the cooperative and greater social diversity. Although a varied income profile is typical for overseas cooperatives, it is not common in Australia, and may leave cooperatives facing the risk of a change in Government policy to more precisely means-tests subsidised housing.
Several of the case study cooperatives have recently reviewed which administrative functions are undertaken by members on a voluntary basis and which are outsourced. Those that have moved to CENSW providing bookkeeping and account management services report positive outcomes. However, a pricing mechanism needs to be developed that makes this arrangement viable for CENSW, rather than offering all services free of charge.

Cooperatives generally run their own waiting lists, in conjunction with a CENSW central database. However, in the example of Albury Cooperative, the waiting list has fallen out of use as vacancies appear so infrequently. If residents are needed, an advertisement will be placed in the local newspaper and community centre. Applicants need to be in the right income band, agree to cooperative principles and be approved by existing members.

3.4 Stakeholder perspectives

Interviews with stakeholders did not raise any specific issues with CENSW’s model and approach, which is a positive sign. The cooperative sector is little discussed, and has a low profile with policy makers, the social housing sector and academics. Many may not be familiar with the transformation that has taken place at CENSW, and their successful involvement in a number of recent Government initiatives.

The NSW Community Housing Regulator and a representative from the Community Housing Division both considered implementation of the common equity model had been a success. No administrative issues were raised. The common equity approach is seen within Government as one that minimises the risks inherent in a cooperative housing delivery model.

The Regulator’s 2012 assessment report considers CENSW ‘is a well governed provider with a dedicated and capable executive team, delivering on its strategic vision and mission’ (NSW Registrar of Community Housing, 2012: p.4). Several administrative issues were identified for improvement, around areas such as complaints procedures, asset management and codes of conduct. No issues were noted in terms of governance and probity by member cooperatives.

An interesting perception on the common equity approach was received during an overseas interview with Nic Bliss, CEO of the English Confederation of Community Housing (CCH) and a leading author on housing cooperatives. The main issue facing English cooperatives is lack of access to capital to fund expansion. The sector is fragmented, each cooperative individually regulated, with no central pooling of assets and resources. The common equity model was seen as a situation where England could usefully follow Australia.

English cooperatives tend to work more closely with the community housing sector, where housing associations often act as developers with management transferred to cooperatives. With few new cooperatives formed in recent years, the role of CCH has shifted to promoting hybrid housing models where tenants have greater involvement. Tenancy Management Organisations and Community Gateways are examples of large housing providers being established which are effectively controlled by their tenants.
4 CENSW Futures

The final section of this Report builds on earlier research findings to identify issues and opportunities facing the NSW cooperative housing sector.

4.1 The second era

CENSW has achieved virtually all of the initial goals set in 2009:

- The establishment of an umbrella organisation, and transfer of surpluses from individual cooperatives, has been completed. Furthermore, the new structure - unpopular with some housing cooperatives at inception - appears from research interviews to now be accepted, and preferred to alternatives.

- Division of rental income between CENSW and individual cooperatives has worked such that all organisations within ‘the family’ are capable of being viable. External regulatory reports, and research interviews, confirm solid governance procedures are in place.

- The sector support previously provided by ARCH has been continued by CENSW. Evidence suggests that the level of professionalisation has increased, as it needed to be, to meet the requirements of comprehensive community housing regulation.

- CENSW has a demonstrated capacity to deliver new affordable housing, and has shown a sophisticated involvement in the two landmark initiatives of the post-2007 Commonwealth Labor Government - NRAS and NBESP.

What has not happened in NSW, due to a change in political complexion, is a wholesale transfer of ownership of the majority of cooperative managed properties. Therefore, although in terms of regulatory and organisational attributes CENSW functions like CEHL, it has much lower level of asset ownership. This limits CENSW’s ability to raise private finance and develop new affordable housing.

Following achievement of the main 2009 aspirations, CENSW is entering a second era. New strategies will be required for a changed housing policy landscape. One purpose of this Report is to help cooperative members, and CENSW directors and staff, frame the debate.

There are a number of key questions for CENSW as they enter the second era:

- How valid is the common equity model for NSW housing cooperatives if there is only a limited transfer of title from State Government?

- Given there are already opportunities to grow the portfolio, using cash reserves and strong cashflows, where should new properties be procured? What is the best procurement strategy? Should new cooperatives be established with these extra properties, or existing cooperatives be given extra housing?

- How should CENSW inter-relate with other not-for-profit housing providers in NSW, and with common equity organisations in other jurisdiction - especially CEHL in Victoria.

- What is the critical mass, in terms of property holdings, of both CENSW and
the housing cooperative members? Does CENSW have the capacity to compete for State Government funding that is allocated on a competitive basis to any community housing provider?

- How can the profile of housing cooperatives be raised, both in the eyes of Government and the wider community, as well as within the social housing delivery and research sectors? Is cooperative housing a historic legacy, or an exciting part of twenty first century affordable housing delivery?

4.2 NSW and Commonwealth policy environment

Commonwealth policy since the election of the Labor Party in 2007 has been to increase the supply of affordable housing. The policy involves a number of well-funded initiatives, though these have now come to an end (NBESP, Housing Affordability Fund), or are on hold (NRAS). Therefore there are currently no Commonwealth backed schemes to fund the construction of new affordable and social housing.

The NSW Coalition Government, elected in 2010, has shown hesitancy on asset transfers to not-for-profit providers. There is no established social housing policy, and the only initiatives have been around large scale public housing estate regeneration using Public Private Partnerships (PPPs). As with the Commonwealth, currently there are no capital programs supporting the development of new non-market housing.

The housing policy environment in 2012 does not therefore offer any immediate opportunities for CENSW. They are in a similar position to mainstream community housing organisations in both NSW and Victoria. The only advertised change is a move to national community housing regulation in 2013-14. If this proceeds there may be some sector re-structuring, as smaller providers consider merging to minimise compliance burden. However, this will not directly impact on CENSW who should be able to register as a Tier 2 provider, possibly Tier 1 if private finance raising is considered likely.

Beyond housing policy, the NSW Government is continuing social policies in respect of building stable communities, transforming disability service provision and providing accommodation for the homeless and refugees. Funding is still available for many of these project areas.

Future NSW Coalition Government allocations of housing funding are likely to be through competitive tendering. This is a new area for CENSW as the previous Labor Government steered NRAS and NBESP programs in their direction through a managed process. CENSW will need to build their capacity to bid for forthcoming funding or asset transfers when, and if, they are announced. Competition from larger community housing groups will be intense.

4.3 Direct management and forming new cooperatives

CENSW has moved to new models of housing delivery, with properties funded through the NBESP and NRAS increasing the portfolio size. Initially, these properties remain under direct management, with CENSW acting in the role of a community housing landlord. This brings added financial benefits for the organisation, as 100% of rents are retained, though presents a dilemma as the properties are not managed on a cooperative basis.

As at June 2012, CENSW had 13% of properties under direct management, and these contributed 25% of income (CENSW, 2012b). This is in contrast to CEHL who have just under 20% of their properties as ‘Community Managed Cooperatives’ (CMCs). CMCs are established as separate
cooperatives, though run by CEHL who collect and retain all rent. It is not known whether CEHL also has directly managed properties in addition, or the split of CEHL’s total revenues between CERC and CMC cooperative models.

There will always be a portion of directly managed properties in the portfolios of common equity organisations. This will be as a result of asset growth, or a consequence of transfers from failed cooperatives. However, there needs to be debate within CENSW as to what level of direct management is acceptable, and on what basis will properties eventually transfer. Will existing cooperatives receive more properties, or new cooperatives be formed?

Potentially CENSW could adopt a similar approach and branding to the CMCs run by CEHL. The Victorian approach is to use CMCs for larger single-site new-build developments of typically 50 or 60 units. This is not the type of development that CENSW has the capacity to complete at present. For smaller clusters of homes, CENSW, with fewer than 20 properties, CENSW may be better retaining the current self-governing cooperative model.

With CMCs, CEHL have put in place structures for greater resident consultation. In this sense, the model is more one of a tenant-orientated community housing organisation. Again, CENSW need to investigate ways of supporting greater involvement by tenants who live in their directly managed properties.

Many CENSW cooperatives are small, with three quarters having below 20 tenancies. The optimum strategy with directly managed properties will be to try and increase the median size of cooperatives. If there is an option as to the location of properties developed from CENSW’s own resources, it will be best to locate close to, and integrate with existing cooperatives.

CENSW have commissioned research on where to locate new properties based on identifying areas of greatest housing stress. As a niche affordable housing provider, with the ability to develop only a modest number of new properties, this may not be the best approach. For longer term coordination, it will be best if new properties are not only close to an existing cooperative, but are also in CENSW’s core operating region in metropolitan Sydney (Figure 2).

**Box 7: Case study - SWITCH Cooperative**

The SWITCH cooperative was established in 1993 as the Sutherland Women’s Independent Tenancy Cooperative (Housing) Limited with a purpose ‘to house women and their children’. Located on a single parcel of land in suburban Sydney, the total of seven properties are mainly two bedroom units, clustered around a large community room and communal areas. SWITCH caters for women, most of whom have children. The land on which the cooperative was built was bequeathed by a patron who was herself been brought up in a single parent family. The property layout favours a supportive interactive environment, and close friendship bonds have been formed between households busy looking after children.

SWITCH is a small cooperative, though the properties are relatively modern and in a good state of repair. Many of the shared communal activities involve maintaining the grounds to a high standard. The properties blend well into the suburban landscape, though there are limited chances to mix with the local community except at schools and child care facilities.

As a small cooperative, SWITCH rely more on support from CENSW than larger organisations. However, member meetings are well attended and the cooperative seems well run. CENSW have recently taken over banking, bookkeeping and rent checking activities. This arrangement is said to work well, and be better than when an external bookkeeper was employed in the past.
4.4 Asset ownership and housing growth

The NSW Government’s reluctance to sanction further housing asset transfers to community housing organisations has had a major impact across the sector. Placing on hold transfer of title on the bulk of CENSW’s portfolio raises questions about the rationale for the common equity model. This may lead to one or more member cooperative considering whether they wish to remain within CENSW.

Despite the asset transfer dilemma, the rationale for establishing and continuing CENSW remains strong:

- It is unlikely Housing NSW, as property owner and funder, would allow cooperatives to cede from CENSW and become independent. Individually funding a number of small, low capacity cooperatives would be unpopular with Government. The most likely alternative to remaining part of CENSW would be absorption within either Housing NSW, or a larger community housing group.

- CENSW already have an ability to develop new cooperative housing, based on NRAS assets, cashflow surpluses and reserves. Their asset ownership as a proportion of total managed properties is similar to most mainstream community housing providers. The NSW Government halt on asset transfers moderates the number, and delays the timing, of new property procurement. It does not prevent the portfolio growing.

- Given the stringent Evidence Guidelines under discussion with the proposed move to national community housing regulation, it is unlikely any CENSW member cooperative would have the capacity to be independently registered. This applies even under Tier 3, the lowest category. Therefore common equity approaches are probably the only way for NSW housing cooperatives to continue in the future.

The NSW Government may well move back to transferring title to community housing organisations. This may be on a more limited basis than in the past, with more conditions upon supplying additional affordable housing. It is unlikely in the current conservative political environment, and was probably unrealistic to expect in the past, that title to all managed properties would pass to CENSW.

While there has been a decline in asset transfers across Australia over the last two years, this trend appears to have ended. There are strong indications of further major transfers in Tasmania, and a start of this policy in Queensland and South Australia. State Governments of both political persuasions are viewing their public housing portfolios as unsustainable, and realising the potential of not-for-profits delivery methods.

‘There’s so many people out there who need places like this. This is what we should be spending our money on - more properties … Let’s build more coops’.

Member, SWITCH Cooperative

CENSW critical mass

CENSW need to develop a revised growth strategy based on the new policy environment. Growth is important as CENSW need to become a larger operation to reach critical mass. This will allow employment of further specialised staff, who can both promote innovation and offer a wider range of services and support to member cooperatives. This is the situation observed by the researchers from their interviews with CEHL in Victoria.

There is no conclusive evidence on the ideal size of a community housing organisation. In early debates on the move to national regulation, the Commonwealth suggested
an ideal size of 5,000 dwellings (Australian Government, 2010a). This is not backed by research, and currently not even the largest Australian community housing provider has reached this figure.

More nuanced British research suggests optimum size depends on functions undertaken. For example between 1,000 and 5,000 properties under management would be appropriate to achieve critical mass, though larger portfolios would be required to support in-house property development activities (CIH, 2007).

It is possible CENSW will need to double in size to around 1,000 homes under management by member cooperatives. This would take time to achieve, and require new growth strategies outlined in Section 4.5. While any such figure is only a rule of thumb, it has the benefit of focusing stakeholders on longer term goals.

Cooperative critical mass

There is no consistently agreed number for the ideal size of a housing cooperative. Issues such as location of properties, amount of maintenance work required and available time of members all make a difference. However, in general, there is always a need to have sufficient homes for there to be a pool of members available to help run the cooperative.

CEHL in Victoria, with the longest track record in coordinating multiple housing cooperatives, consider:

- A portfolio of 20 properties ‘to be the optimal size of a voluntary co-op that did not employ any staff but used members to carry out the necessary functions of managing a small housing business’ (CEHL, 2007: p.13). Twenty homes enable members to share and work on a voluntary basis, and carry out all necessary functions of managing a small non-profit organisation.
- Cooperatives with fewer than 12 properties are ‘very vulnerable in regards to their financial position’ (ibid).
- Cooperatives with more than 40 or 50 properties may need dedicated staff to manage tenancies and maintenance, as work would be ‘too onerous’ to be undertaken entirely by volunteers.
- From research interviews, the average size of CERC cooperative in the CEHL portfolio is 15 tenancies. The minimum number is 6 and maximum 30.

4.5 Expanding the Common Equity model

CENSW need to continue to press NSW Government for progressive title transfer. This is the most effective way of allowing better utilisation of social housing assets to leverage new affordable housing and pay for long term property maintenance. However, there need to be other growth strategies developed in parallel.

CENSW are considering leveraging the organisation’s strong cashflows to raise bank finance. Although the amounts borrowed may be more modest than would have been possible if more asset transfers had taken place, useful skills will be acquired. CENSW will be able to develop a track record with lenders, and build the capacity to manage loan compliance. In time, larger bank facilities will be possible.

I think the sector has a huge potential for growth. With the change in structure, and Common Equity being able to borrow against the properties it holds title on, they really will be able to invest in new stock. We want more inner-city stock.’

Member, Ningana Cooperative

Bank borrowing by community housing providers allows delivery of new homes more quickly than through using
accumulated cash surpluses. It also makes CENSW more likely to be recipients of property title transfer in the future, as Governments often require proven track record in debt leveraging.

Other growth opportunities that could be considered by CENSW include:

- Working in partnership with one or more community housing providers on specific opportunities. Some providers may have situations where a shared interest community wishes to work as a cooperative. CENSW could provide the capacity support for the cooperative, with the community housing provider retaining asset ownership and long term maintenance obligations. This is a model used extensively in Britain.

- Grant funding could be applied for from the NSW Government to establish new cooperatives for special groups such as refugees and migrants. This is an area where CENSW has a demonstrated and successful track record.

- NSW Government is supporting several mega-projects involving mixed tenure residential housing: the Airds Bradbury public housing PPP, Green Square and Barangaroo in Sydney. It might be possible for part of the social and affordable housing in these projects to be managed on a cooperative basis, coordinated by CENSW.

- With the move to National Community Housing Regulation, several smaller community housing groups may wish to retain most of their independence, yet have the support of an intermediate organisation to manage regulation and compliance. CENSW could become more inclusive, acting as a central coordinator for smaller, neighbourhood based not for-profit housing providers (Gilmour and Bourke, 2010).

### Limited equity approaches

Consideration could be given to developing new forms of cooperative housing delivery models. For example, the limited-equity cooperative where members provide part of the initial capital funding, and share a portion of rises in property values. This has been investigated in Western Australia in the form of the housing cooperative acting as a strata company, with members receiving a strata title against which they can raise bank finance (Cheong, 2011).

There have been a number of recent studies on using the Community Land Trust (CLT) model, an approach that is similar in outcomes to a limited equity approach. The CLT could be used for land ownership, and a cooperative for management. It is understood that few schemes have yet been established in Australia.

Limited equity cooperative approaches face the problem of a lack of availability of suitable bank finance in Australia. This is different to a number of overseas countries where there is both a better understanding of the cooperative sector by financiers, and an often finance provided by Community Development Financial Institutions (CDFIs). CDFIs understand the ownership structure of housing cooperatives, lend to cooperatives and fund member shares in limited equity cooperatives.

Although the concept of limited equity cooperatives is appealing, CENSW does not have the resources to pursue alone. This is one of the areas where a closer alignment with the other common equity organisations in Australia could help build momentum.
Box 8: Case study - Van Lang Cooperative

Based in area of south west Sydney with a diverse ethnic population, Van Lang Cooperative was established in 1994 to cater to older Vietnamese people. Most do not speak English, therefore rely on help from a paid worker who is employed three days a week to help coordinate cooperative activities. The worker has been with Van Lang for over a decade, providing valuable continuity.

With 47 tenancies, Van Lang is one of the larger cooperatives coordinated by CENSW. The centre of the cooperative is a cluster of 25 attached buildings built around community facilities on a large suburban plot of land in Canley Vale, purchased by the cooperative in 2008. The scheme was recently extended by 17 units using $1.3 million State funding together with $1.3 million from NRAS incentives and a capital contribution from the cooperative sector. The scheme was the first major development project to have been undertaken by the cooperative sector in NSW.

There is a strong sense of community and shared values at Van Lang, with residents on the larger single site meeting regularly and looking out for each other. This level of solidarity is harder to maintain with residents on the other sites who generally do not have their own transport and therefore spend less time in the communal room.

4.6 Forming national partnerships

CENSW's organisation structure and reason for being established, was based on Victorian experience with CEHL. Similarly, there are moves to replicate common equity models in South Australia and Western Australia. Given the shared models being used, the lack of national coordination and information sharing is unexpected.

From the interviews, it appears that initially there was knowledge sharing between CEHL and CENSW when the latter was established in 2009. However, these links were not continued. We understand there are current proposals for closer links, with plans at an early stage.

Other parts of the not-for-profit housing sector share knowledge nationally. The Community Housing Federation of Australia (CHFA), for example, helps coordinate between strong State peak bodies. PowerHousing Australia is a national industry association for larger community housing providers. Both CHFA and PowerHousing have full time staff, and are able to lobby Governments and raise the profile of the wider sector.

Given the relatively niche position of cooperative housing, and the sector's scale, the best approach might be to follow 'common ground' homelessness organisations. Like common equity, they have a similar delivery approach and branding used in several jurisdictions. However, they coordinate and share information through regular meetings.

As will be noted in Section 4.7, it is important to increase the profile of cooperative housing in general, and the common equity approach in particular. This
is best achieved on a coordinated basis, to give a consistent message. Marketing materials can be shared, reducing the cost. This would bring Australia more in line with England where CCH are better able to make a strong case for housing cooperatives.

Beyond regular meetings, and national lobbying, the common equity groups could cooperate on shared projects. For example, guidance notes on cooperative governance could be produced by a lead organisation, and shared nationally. Different common equity organisations could take a lead on different projects, to share the workload.

Common equity organisations could also coordinate meetings every two years for cooperative members to attend. An example was the ‘Living Co-operatively Symposium’ held in Sydney in 2008. These events allow direct knowledge sharing between housing cooperative members, networking and building a sense of common purpose. Ideally the events will be lower-key and more practical than traditional housing conferences, where the market is crowded.

It is conceivable, though highly unlikely, that State based common equity organisations could merge into a single operation in the future. While in theory national regulation of community housing allows for national organisations to operate more easily, most likely only a few such groups will emerge.

Even with national regulation, policy and funding decisions will remain at State level. This will act as a barrier to forming a streamlined national organisation. Housing cooperatives have very different histories and structures across the states, with local issues being particularly important. Therefore in the short and medium term collaboration between common equity groups will be a better approach than merger.

4.7 Contemporary housing cooperatives

This Report highlights ways in which housing cooperatives can form a niche, but important role in social housing delivery. However, to move from a ‘hold’ to an ‘expansion’ phase, CENSW need the benefits of the model to be better understood. This can be achieved through:

- Profile-raising of CENSW and the benefits of cooperative models. Although this has always been a role of ARCH, then CENSW, recent sector restructuring and new housing delivery has been the main focus. There is evidence that CENSW management are now re-focussing on communications.

- Although the AGM and celebration of the International Year of Cooperatives are important, the message needs to be taken direct to Government, private sector partners and the sector. These are groups who have less understanding of housing cooperatives. With Government, the key messages should be on the viability of the sector, the ability of cooperatives to expand housing supply and the SROI of the sector which can reduce the overall costs to Government.

- One cause of the low profile of Australian housing cooperatives is the minimal level of academic research. Most focus to date has been on ‘mainstream’ community housing delivery, or community land trusts. AHURI, and local university research centres need to be contacted. Projects could be largely funded through either AHURI or the ARC, with CENSW and CEHL acting as research partners.
Cooperatives’ relevance today

Although the roots of the housing cooperative movement date back to the nineteenth century, the message that needs to be communicated to stakeholders is that they are well placed to address contemporary challenges. Cooperatives are good examples of volunteerism at work, encouraging people to become involved with and care for their neighbourhood. As confirmed in the academic literature, this helps build ‘community capital’.

Governments are recognising the benefits of mixed income, mixed tenure communities (Gilmour, 2012). In place of mono-tenure public housing estates, more integrated models are sought. Cooperative housing offers insights on how this can be achieved, though at a finer grain of detail than the larger PPP renewal schemes of a thousand or more homes.

For community housing providers too, cooperatives offer a model for increased tenant participation. Often participation is best achieved at the practical level of day to day decisions on housing maintenance and improvements. By contrast, over-arching tenant participations committees, and tenant board directors, have had mixed results. In Britain, housing cooperatives lead the debate on tenant empowerment. This is one of the few areas where following overseas practice could help in Australia.

The role of contemporary housing cooperatives is not to become the dominant providers of social housing. Rather they form part of the broader housing continuum. Australia needs to have more tenure options between an increasingly residualised social housing system, and a private market which is unaffordable to even moderate income households. For many, experiences gained living in housing cooperatives can form a stepping stone from higher dependency living, to integration in the private sector.

Cooperatives’ niche role can also assist with the integration and support of hard-to-reach groups. Refugees and migrants often have language and cultural barriers that limit their ability to integrate within Australian society. Examples such as Van Lang Cooperative show how cooperative principles can work in practice, building on the resilience and hard work of community members. Cooperatives offer some groups a valid and effective alternative to traditional, paternalistic and expensive direct welfare approaches.

Common equity delivery models have helped bring contemporary professional management approaches to housing cooperatives. They enable new properties to be procured, through commercial partnerships, while protected public investment under the umbrella of modern regulation. Common equity organisations such as CENSW therefore mediate between the demands of Government, and the proven ability of housing cooperatives to build community capital. A very twenty first century approach to service delivery.
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