HOUSING CO-OPERATIVES IN AUSTRALIA

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This paper will provide a historical overview of housing co-operatives in Australia. It will begin with a discussion of the main co-operative focus on housing in Australia, which was the formation of building societies to provide funding for the purchase of individual homes. It will then look at the history of Australian housing co-operatives in Australia highlighting the trends and forms of housing co-operatives. It will conclude with a brief discussion of the implications for the present debates about affordable housing in Australia.

Financial Co-operatives and Housing

The focus of co-operatives in Australia has been organising finance for individuals to obtain homes. There are varying types of financial co-operatives that have been involved in providing home finance: - permanent building societies, temporary building societies, Starr-Bowkett societies and more recently credit unions, many of which have transformed into customer-owned banks. The building societies that provided housing finance could be terminating, with the co-operative being dissolved once sufficient funding was raised to meet housing needs. In Starr-Bowkett societies members generally would pool their savings through the payment of monthly subscriptions at a level related to the number of shares that they have. Once the requisite number of members had registered, these pooled funds would be used to make interest-free loans based on a ballot in which all members have an equal chance of winning and the winner was unable to participate in any further ballots. Once all members have repaid their loans the society is terminated. These building finance co-operatives could also be permanent with the rules not specifying a fixed time or event after which it ceased operating. The permanent society had two types of members – those who deposited sums of money for interest payments and those who borrowed at a slightly higher rate of interest to build or purchase a house. Permanent building societies, for example, accepted deposits like a bank and survived by having more deposits than loans and holding mortgages over the land and the building for which the money was lent. Terminating societies generally developed before the establishment of permanent societies (Patmore and Balnave, 2018, pp. 9-11).

While building societies have a long history in Australia going back to the 1840s, they have fluctuated in their significance as form of home financing. There were scandals associated with collapses of building societies during the 1890s Depression reducing public confidence in them until the boom that followed the Second World War. While there were further scandals associated with building societies during the 1980s and 1990s, notably the Pyramid Building Society in Victoria, many reputable permanent building societies merged and demutualised during this period as the financial sector was deregulated and opened to overseas competition (Thomson and Abbott, 1998).

While permanent building societies could have substantial assets, terminating building societies, while small, came to be the most popular form of co-operative in Australia. The Great Depression had led to a decline in savings and building activity. Building and Starr-Bowkett societies stagnated, with major banks reluctant to provide housing finance to low- and middle-income earners. The NSW United Australia Party and Country Party Coalition Government decided through the *NSW Housing Improvement Act 1936* to stimulate building construction and increase the quality of housing by encouraging the formation of Co-operative Building Societies

(CBS), terminating societies underwritten by a government guarantee, with the first being formed in September 1936. The CBS model was drawn from building societies in Mudgee, NSW, which borrowed all their finance in one lump sum from a financial institution rather than relying on member's funds, with members subscriptions' repaying the loan with interest. Groups of individuals, with a community of interest such as locality or workplace, enrolled 30-40 members and elected a board of directors to negotiate with a lending institution for finance. These lending institutions included the Commonwealth Bank, private banks, insurance companies and government superannuation boards. Once the finance was arranged the society would be registered and a government guarantee extended to the CBS. Like Starr-Bowkett societies, there were CBS clusters, with CBS keeping the same name but with different numbers, to gain economies of scale with a shared office and marketing. Other states were to pass similar legislation. They grew dramatically in post-war Australia to 3,257 societies in NSW in 1980 with a membership of 63,000 and total assets of $732,744 (Abbott and Doucouliagos, 2001, p. 232), before the NSW Government forced a series of CBS amalgamations into the renamed Co-operative Housing Societies (CHS) to modernise management practices and reduce costs for members.[1] Against a background of financial deregulation and their association will failed NSW government schemes, the CHS found it difficult to obtain funding after NSW government suspended its guarantee in July 1994 (Abbott and Doucouliagos, 2001, p. 235).

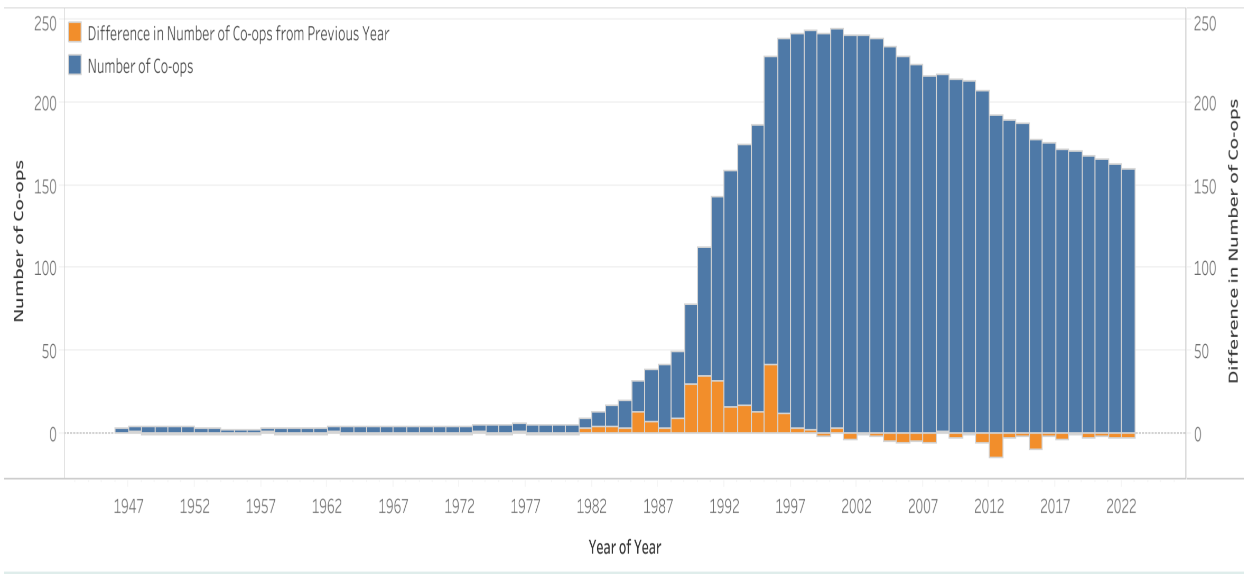
[1] *Sydney Morning Herald*, 21 November 1980, p. 12

Housing Co-operatives

The focus on public housing for low-income families and the significance of financial co-operatives for providing funding for individual homes overshadowed the development of housing co-operatives in Australia. As Figure 1 below, drawn from the Visual Historical Atlas of Australian Co-operatives (VHAAC)[2], which excludes co-operative community co-operatives and indigenous co-operatives, highlights, housing co-operatives do not take off until the 1980s with a peak in 2000 with a minimum 244 housing co-operatives with the major concentrations being in descending order being Victoria, South Australia (SA) and NSW. There have been two main models – the equity model of housing co-operatives and the rental model of housing co-operatives (Crabtree, 2018, p. 32).

[2] The VHACC currently receives funding from the Co-operatives Research Group at the University of Sydney Business School and the Business Council of Co-operatives and Mutuals

Figure 1 – Australian Housing Co-operatives 1946-2022 (VHAAC Version 28.0 October 2022)



There was an interest in housing co-operatives before the 1980s. The earliest known was a short-lived "urban commune" set up by members of the Melbourne Anarchist Club in Albert Park in 1888 (Metcalf, 2008, p. 52).[3] The idea of housing co-operatives was also promoted by Frank Pulsford (1913) in the first major book on co-operatives published in Australia, *Co-operation & Co-partnership*. There was also interest in housing co-operatives during and immediately after the Second World War. munitions workers at Orange, NSW formed a co-operative in February 1942 to takeover public housing then being erected in Orange. Members purchased a one-pound share in the co-operative to have membership but would be only required

[3] *The Age* (Melbourne), 7 July 1888, p. 10, 19 January 1889, p. 11.

to pay a partial amount up front to the secure the share. Members would pay rent for their house up to a point where they obtained equity and obtained full home ownership. The fate of scheme is unclear, and the co-operative was dissolved in 1950.[4]

After the War, there were some efforts to form housing co-operatives in Sydney known as Urban Co-operative Multi-Home Units and based on an equity model of housing co-operatives drawn from European and North American models. One surviving example is the 17 Wylde Street Co-operative, originally registered under the NSW Co-operative Act on 26 February 1947 and located in Potts Point. The co-operative has a block of 40 units which are viewed as an innovative apartment building design. The NSW Labor Government amended the Co-operative Act to allow for these co-operatives and they were financed by members subscriptions and a government guaranteed bank loan. The members of the co-operative could buy their apartments by weekly rental instalments, which includes maintenance, rent, rates and cleaning, and let them in approved circumstances. They also participated in the democratic governance of the co-operative.[5] There were at least six of these co-operatives formed and it was claimed that they "gave many people of moderate means an opportunity of obtaining beautiful homes in select harbour-side areas that until recently, were exclusive to the very wealthy."[6]

The surge of Australian housing co-operatives since 1981 can be explained by several factors. Underpinning the surge was a concern at a shortage of low rental housing for single parents, older people and the unemployed. The Brotherhood of St. Laurence with the support of local councils helped establish the Fitzroy-Collingwood Rental Housing Association in 1976 with a rental housing co-operative receiving funding from the Victorian Government The rise of

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[4] *Lithgow Mercury*, 18 February 1942, p. 4; *NSWGG*, 23.06.1950, p. 1936

[5] *Construction* (Sydney), 2 June 1948, p. 2; *The Sun* (Sydney), 11 November 1945, p. 3, 21 July 1946, p. 3.

[6] Construction (Sydney), 27 June 1951, p. 3.

housing co-operatives was also fuelled by a decline in government support for public housing from the 1980s with the rise of neo-liberalism (Bunce, 2013, pp. 64-67). The funding under the Commonwealth-State Housing Agreement declined by approximately 15 per cent for 1989-1999 (Arthurson, 2009, p. 255). Another factor was the rise of women's shelters for women and children escaping domestic violence. The Women's Shelters Housing Association in SA reached an agreement with the SA Housing Trust in 1981 to form a housing co-operative to provide low-cost housing accommodation for women who were leaving shelters and waiting for public housing. They secured mortgage finance from a building society for the purchase of dwellings. The SA Government in 1991 passed legislation to establish the South Australian Community Housing Authority, which funded housing co-operatives and allowed them to elect two representatives to the Authority (South Australian Community Housing Authority, 1998).[7]

There were major developments in Victoria and NSW. From 1978 to 1986 there were 17 non-profit rental housing co-operatives established in Victoria. Co-operative members were not required to have any equity in the home so that it was accessible to low-income earners. The Victorian Government purchased the homes for the rental housing co-operatives. The Ministry of Housing retained the title and granted a head lease to the co-operative. Members, who had to meet income eligibility requirements, took sub-leases. The Victorian Labor Government also encouraged the formation of common equity co-operatives that received federal government funding and sought private sector finance for low- and middle-income earners. Common Equity Housing Finance (CEHF) was founded in 1985 to administer funding, with new properties being 65 per cent financed by state grants and 35 per cent funded by commercial borrowing (Gilmour, 2012, p. 12). The Association to Resource Co-operative Housing was registered in NSW as co-

[7] *Prospector* (Fitzroy, SA), 1 February 1982, p. 6

operative in 1989 to help promote housing co-operatives (NSW Registry of Co-operatives, 1993, p. 3), becoming in 2009 Common Equity NSW (Common Equity, 2022).

While there was a steady growth in housing co-operatives until 2000, since then there has been a decline in the number. There were liquidations of housing co-operatives with at least five demutualisations and at least two amalgamations involving five housing co-operatives. Governments were less inclined to provide funding and support for housing co-operatives and there was a devaluing of the co-operative business model. Following the collapse of the State Bank and change of government in SA in 1993, the support for housing co-operatives was largely withdrawn in favour of housing associations to minimize risk and consolidate the sector (Bunce, 2013, p. 27). The Victorian Liberal National Coalition Government restructured the CHEF, which became Common Equity Housing Ltd., and withdrew capital funding in 1997. More recently, legislative changes in SA by a Labor Government forced housing co-operatives from 2014 to choose between becoming incorporated associations or community housing providers. The Minister noted “there is no longer a need to distinguish between different types of entities delivering community housing based solely on their corporate structure but rather there is a need to align regulatory responsibilities and requirements to the scope of activities and services delivered by community housing providers” (Parliament South Australia, 2013). Some of the housing co-operatives that registered as incorporated associations still retained ICA principles as the basis for their rules (Peach Housing Co-operative Incorporated, 2016).

Conclusions

The major historical interest by co-operatives has been in financing individual home ownership through building societies. One of the most numerous building societies were the CBS, temporary building societies, in NSW and its equivalent in other states where members sought group funding from a lending institution and then obtained a government guarantee. The members repaid the loan through individual repayments. These lending institutions included banks, insurance companies and government superannuation funds. While housing co-operatives began to appear after the Second World War they did not take off until the 1980s. The earliest model was the Urban Co-operative Multi-Home Units, a housing equity co-operative drawn from Europe and North America, which allowed members to buy an apartment unit and maintain a voice in the management of the apartment building. The second model was the rental housing co-operative which did not require the members to any have equity in the home with the equity retained by the state. These schemes could also draw upon private funding with at least one example of funding being provided by a building society.

The housing co-operative remains a viable solution for providing housing for Australians with a tradition that offers a range of different models and funding options. The VHACC, which currently contains data on 281 housing co-operatives, highlights their sustainability from an investment viewpoint with an average life span of 25.02 years. Further, 50 of the 159 currently operating housing co-operatives in the VHACC database were established prior to 1990. There is also on-going interest in developing housing co-operatives drawing from both members and investors funds such as the Sun Villages Co-operative in NSW (Sun Villages, 2022).

Government loan guarantees underpinned the funding of the successful post-war CBS societies and early housing co-operatives. The growth of industry superannuation funds and customer-owned banks provide a broader alternative source of funding for the housing co-operatives. The equity co-operative model combines both individual ownership and democratic empowerment, while the rental co-operative model allows lower income Australians to obtain housing in a very competitive rental market.

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