



# IPRAG NSW INC

## Independent Park Residents Action Group NSW Incorporated

### Supplementary Submission to Social and Affordable Housing Select Committee of Inquiry.

...in response to "questions on notice" from the Hon Jan Barham MLA

**The Hon JAN BARHAM:** Could you follow up with some information about the cooperative model?

*...and in response to the Hon Rick Colless MLA*

**The Hon. RICK COLLESS:** Or something that gives you some sort of title or right for you to maintain that system? It may not be strata title per se because those titles infer ownership of the land.

### **Alternative Models for Affordable Housing – Resident-funded Co-operatives**

#### **Introduction:**

There will be a projected 6 Million AUSTRALIANS aged 65 and over 2030. This submission outlines a methodology for providing housing with security of tenure and sustainable affordability at minimal or no cost to Governments at local, state, or Federal levels.

There is no recognition in Australia of the enormous untapped financial resources available, collectively, within low and fixed income groups. Australia is decades behind North America in recognising the value of these financial resources and in facilitating establishment of non-profit, resident-funded, resident-owned and maintained co-operative housing projects.

While this submission focuses on residential parks/communities it is noted that the non-profit co-operative model may be applied to any built form of housing such as home units, hotel or tourist park conversions, land-sharing arrangements, intentional communities etc.

#### **Regarding Residential Parks:**

While investors are currently achieving and/or forecasting profits of 15%, it is obvious that cash flow generated by site fees is more than adequate to operate, maintain and improve or expand a well managed residents' co-operative park.

The attached report, "Feasibility of Home Park Cooperative Ownership 2006", commissioned by Karalta Road Park Home Owners Inc (funded by Office of Fair Trading and Gosford City

Council) established financial feasibility – if support were available – for a residents' co-operative to buy land, develop a new park, operate and maintain the park, and, repay through affordable site fees, a loan of four to five million dollars over 15 years.

Residents would provide the bulk of equity in the project by providing the manufactured homes -- that is, four to five times the value of the land and development.

It is proposed that the operation of a non-profit co-operative park would mirror the operation of investor-owned parks under the Residential Parks Act, where residents retain ownership of their homes, and, would comply with the NSW Co-operatives Act.

The model proposed would be limited equity to ensure affordability into the future: for example, if a membership share were purchased in a park which cost five million dollars and had two hundred homes of one or two bedrooms, membership would cost \$25,000 (with potential for payment by installments). Because the share is not an investment, membership remains at that value in perpetuity.

The homes would be bought directly from manufacturers, thus low purchase costs would be achieved by not paying investor park owners' inflated prices.

A land trust would hold the land in order to guard against demutualisation.

It is expected eligibility for rental assistance would be retained as criteria can be met.

NSW Centre for Affordable Housing (NSW CAH) consulted with Karalta Road Inc, and drafted its own "Indicative Financial Model" for the "Pilot Project" in 2008, having found the proposal both feasible and innovative.

NSW CAH facilitated and participated in meetings with community housing providers with a view to entering a partnership to apply for funding through the National Rental Affordability Scheme, (NRAS).

It was Karalta Road Inc's decision not to proceed on the terms offered by two community housing providers as the terms of their offers were not in line with the proposed models.

Further information is available from Karalta Road Park Home Owners Inc through IPRAG NSW.

Note: The most efficient method would be for residents to buy their existing park, as most common in the USA. The financial modeling remains much the same.

*Potential for non-profit resident-funded co-operatives to own both dwellings and land – where members would have occupancy rights to a specific dwelling within the project – was not studied by Karalta Road Inc but warrants investigation. This is the typical Scandinavian model and is market based, but could be implemented as non-profit, limited equity for Australian conditions.*

Note: Of the approximate 1,100 "Resident Owned Communities" (manufactured home parks) across the USA, not one defaulted during the Global Financial Crisis.

At very little cost Government could undertake a variety of measures to facilitate and support this form of unsubsidised low cost housing. Specialist financiers have been established overseas with government assistance, one example being the National Co-operative Bank in the USA which became self-supporting within a very short time.

If a Government grant were provided to a co-operative project this could be repaid into a revolving fund to assist establishment of similar affordable housing projects.

Another initiative could be Government guarantees for start-up loans for co-operative projects where membership is restricted to those on limited income, and where the share price is cost-based and there is no opportunity for capital gain on the shareholding.

Given residents' equity in their own homes, such support would provide much greater leverage for Government funds over a much longer period than other forms of government support currently provided for affordable housing.

Government could provide incentives for appropriate bodies to undertake management training for residents, also for appropriate bodies to provide affordable management services for co-operative parks requiring such services.

Being the largest owner of this State's caravan/residential parks, NSW Government should give consideration to supporting residents to buy their parks if assessed to be viable.

Planning laws, especially at Local Government level, could be reviewed for ways to facilitate establishment of such multiple occupancy projects in areas appropriate for low income residents requiring close proximity to essential services. This is essential particularly for the elderly, and for achievement of the social and economic benefits of aging-in-place. The social and economic benefits would be greatly enhanced if those elderly people were enabled to age-in-place in their own privately funded affordable housing.

For closer study of the benefits and possible pitfalls, please refer to attachments:

Extracts from – Winston Churchill Memorial Trust – 2011 Churchill Fellowship Report  
by Damian Sammon, Dep. of Housing and Public Works, Queensland,

Report - Feasibility of Home Park Cooperative Ownership,  
Karalta Road Park Home Owners Inc, 2006.

Submission – Improving the Governance of Residential Parks  
Co-operative Ownership  
by Equilibrium Community Ecology Inc

Recommended websites: [www.communityloanfund.org](http://www.communityloanfund.org)

[www.rocusa.org](http://www.rocusa.org)