

**6<sup>th</sup> Australasian Housing Researchers' Conference  
8-10<sup>th</sup> February 2012  
The University of Adelaide, Adelaide, South Australia**

**New housing for a shifting urban paradigm**

**Housing development co-operatives as a more affordable and sustainable  
alternative for housing provision in Australian cities**

**Dr Tom Alves**  
Housing and urban policy  
Office of the Victorian Government Architect

**Prof Geoffrey London**  
Faculty of Architecture, Landscape and Visual Arts  
The University of Western Australia

**Contact: Dr Tom Alves**  
Office of the Victorian Government Architect  
[thomas.alves@dpc.vic.gov.au](mailto:thomas.alves@dpc.vic.gov.au)

*For more than a decade, key aims of Victorian State Government strategic planning policies for metropolitan Melbourne have been to improve the sustainability of the region while maintaining a high standard of 'liveability' for residents. State housing policy has reflected these concerns in the objectives to create more compact residential environments and provide more well-located multi-unit housing. However, in a context of rapid population growth, high rates of household formation and significant growth in house prices, maintaining a steady supply of 'affordable' new housing has also been a matter of policy concern. Policies relating to the provision of owner-occupied housing have struggled to balance these two, often competing, objectives.*

*This paper examines the possibility of housing development co-operatives to offer part of the solution to this dilemma through their potential to increase the supply and lower the purchase price of well-designed, sustainable multi-unit housing for owner occupation. Housing development co-operatives, or building groups, offer an alternative model for the provision of owner-occupied housing to both the 'house and land package' on greenfield*

*sites and the speculative multi-unit development in inner urban locations that are the prevalent modes of housing delivery in Australian cities today. Although common in some overseas countries, their potential to offer an alternative path to ownership of attached or multi-unit dwellings in the Australian context remains largely unexplored. This paper will begin this exploration by examining the opportunities and the issues associated with introducing this mode of provision into the housing system in Melbourne, Victoria and its relevance to the Victorian urban policy context.*

## **Introduction**

A point has been reached where the usual means of housing provision in urban Australia are seriously pressed to deliver the outcomes sought by the housing and urban policies of State Governments, including those identified in metropolitan strategic planning policies for capital city regions. Two areas of long-standing policy concern that remain current and increasingly urgent are the declining affordability of housing, especially owner-occupied housing, and the unsustainable growth of urban regions, with its associated social, economic and environmental costs. Since 2008, the Australian Government has also demonstrated an interest in these particular issues and has signalled their national importance by establishing the National Housing Supply Council (NHSC) and a Major Cities Unit within the Department of Infrastructure and Transport (formerly Infrastructure Australia), to inform and develop a national agenda in the fields of housing and urban policy respectively.

In its latest State of Supply Report (2011), the NHSC identified a growing imbalance between the supply of housing and underlying demand, and that housing affordability 'remains stretched'. The previous State of Supply Report (NHSC 2010) had drawn similar conclusions but had also highlighted three additional 'key housing market issues' of importance, namely:

- the difficulty of achieving 'infill' housing development, particularly in an affordable way;
- the inefficiency of the housing market, especially in responding to changes in demand; and,
- that the ageing of the population will increase demand for different types of dwellings, which will be difficult to meet.

These national housing supply issues sit alongside a raft of urban growth management concerns that presently beset all of Australia's major city regions. In a report to the Council

of Australian Governments (COAG), Infrastructure Australia (2008: 40-41) identified several of these 'complex planning and governance challenges' facing Australian cities:

- accommodating rapid population growth;
- the cost of urban congestion;
- loss of urban amenity;
- different levels of accessibility leading to different levels of opportunity, and;
- the inherent conflict between urban sustainability and housing affordability.

Housing supply patterns have significant impacts on the form and systems of metropolitan regions and will require significant shifts if strategic planning policy objectives, especially those seeking the improved sustainability of metropolitan regions, are to be implemented successfully (Alford and Whiteman 2009). At present, however, metropolitan strategic planning and policies to maintain or stimulate housing supply and improve affordability do not adequately support one another and are frequently in tension.

While these issues are clearly of national relevance and concern, the authors are most familiar with the Victorian housing and policy context and this paper will consequently focus upon this jurisdiction, although it is likely there will be applicability to other States. There are significant challenges faced by the Victorian Government in seeking to ensure the sustainable growth and continued 'liveability' of the Melbourne metropolitan region. High levels of population and household growth (Major Cities Unit 2011) are exacerbating problems associated with the under-supply of housing, including housing affordability. The tendency for increased competition over housing to manifest spatially, contributing to social polarisation (Burke & Hayward 2001), further complicates the affordability problem. The 'default' approach of continuing to achieve a supply of 'affordable' housing through 'greenfield' development in outer metropolitan locations further reinforces spatial inequalities, while the need for Melbourne to transition towards a more sustainable urban form remains an issue requiring urgent attention.

The intensification of housing in existing built areas has frequently been seized upon as a potential solution to urban and housing policy concerns, yet it remains difficult to achieve and is highly contested (NHSC 2010). A succession of strategic planning policies for metropolitan Melbourne has notionally maintained a policy of urban consolidation or residential intensification, while actually having very little impact on the outward growth, or 'sprawl', of the city region (McLaughlin, 1992; Melbourne 2030 Audit Expert Group, 2008). There has been a growing admission by policy makers that greenfield subdivision has been the only real source of affordable owner-occupied housing supply and, as a result, a continuous

supply of greenfield land has been represented as necessary to achieve an on-going supply of affordable housing (Madden 2009). Alongside this new pragmatism in housing and planning policy, the case continues to be made that Melbourne's pattern of urban growth will need to alter radically if the region is to transition to a sustainable future (Newton 2008).

The alternative model of housing provision discussed in this paper is one potential response to the key housing and urban policy issues confronting Australia's major cities, and metropolitan Melbourne in particular. Housing development co-operatives – known in the housing literature as 'terminating', 'full equity' or 'limited-use' housing co-operatives – are groups of households who unite to procure a multi-unit housing development in which, once the development is complete, each will own their own dwelling. In effect, the housing development co-operative takes the place of the developer in a multi-unit development. By doing so, those households involved stand to make substantial cost savings, while also having far greater control over the outcome than if they were buying a unit 'off the plan'. In Germany, where this type of housing provision has been more common in recent years, these groups are referred to as *baugruppen* (building groups) or *baugemeinschaften* (building co-operatives).

This paper will not explore in detail why this type of housing provision has been uncommon in Australia, but will consider how housing development co-operatives which engage in medium density housing development might be encouraged and enabled. The main focus of the paper, however, will be the potential of housing development co-operatives to address a range of housing and urban planning policy issues in the context of the current housing system, including:

- housing affordability
- the feasibility of medium density housing development in a wide range of locations
- access to housing and the equity of housing opportunities within the urban region
- the diversity of housing being produced and its appropriateness to housing need
- the overall quality of the built environment and of the housing legacy being produced
- the sustainable growth of the urban region

Firstly, the existing housing system in Melbourne will be described, and the key contemporary issues identified, in order to argue the potential policy relevance of the co-operative model of multi-unit housing development. This will be followed by a brief survey of the literature about the recent growth of this type of housing provision in Germany and other parts of northern Europe, before some commentary is offered on what might be necessary to encourage its establishment here.

## **Australian housing provision: the *status quo***

The structure of any housing system will inhibit the provision of certain types of housing, while favouring others. The production of detached houses on greenfield sites is firmly entrenched within the Australian housing system. This is evident in the structure of the land development and construction industries, the financing of housing production, the regulation of development through the planning system, and apparent consumer preferences.

### **Housing supply and production**

#### *Greenfield Development*

The conventional means of housing delivery in Australia is the 'house and land package'. Distinct from the 'integrated' or 'speculative' housing developments more common in other places, such as the UK, the house and land package keeps land development and the sale of land separate from the house-building contract. This approach reduces holding costs for both the developer and the builder that would otherwise be passed on to the consumer and achieves a saving in stamp duty as well. Using this conventional mode of housing provision, the only way to deliver strategic planning policy objectives to increase the intensity of housing development is to reduce the size of the lots.

#### *High Density (High-Rise) Housing*

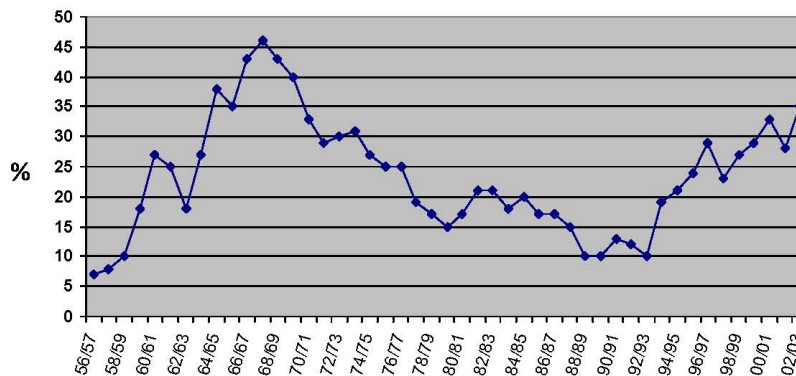
Before the 1990s, high-rise housing development was carried out only by State housing agencies and, by private developers, at high amenity (usually prime waterfront) locations. Several major commercial development and construction companies switched to housing development in the early 1990s, when the national recession had caused a downturn in the commercial development market and also made inner urban sites viable for housing development. The subsequent upturn in the economy occasioned a decline in the affordability of inner city apartments, not their overall provision.

#### *Medium Density Housing and Urban Consolidation*

Medium density housing and the intensification of residential uses on existing urban land has, since the 1920s, been a secondary form of housing provision. The supply of medium density housing in Melbourne has waxed and waned substantially over time (Figure 1). Its provision is speculative and has historically required the coincidence of several factors to

enable any significant supply, including steady, overall growth in housing demand, stable and low interest rates and strong property markets.

**Medium Density Housing Commencements as a Proportion of All Dwelling Commencements, Melbourne Statistical Division, 1956/57 - 2002/03**



Sources: ABS (1956/57 – 1983/84) *Statistics of Victoria: Building Operations*; ABS (1984/85 – 1995/96) *Dwelling Unit Commencements Reported by Approving Authorities, Victoria, Cat. no. 8741.2*; ABS (1996/97 – 2002/03) *Building Approvals, Victoria, Cat. no. 8731.2*.

### *Housing Construction*

The established structure of the house building and construction industries reflects these three distinct types of housing development. Small builders, using subcontracted labour, are geared for the construction of detached houses, built with timber framing systems. Using the same construction methods, they can also provide small-scale medium density housing such as semi-detached and town houses. For detached housing, project home companies achieve additional efficiencies through economies of scale in design and construction. Such efficiencies are typically not possible in the less predictable context of urban consolidation, causing developers of medium density housing to favour certain locations.

At the other end of the scale, large commercial operators, geared for high-rise development, can provide high-density housing but find this uneconomical below a certain scale (anecdotally ten storeys). This means that mid-range multi-unit housing (between three and ten storeys) is not being provided in any great quantity or at 'affordable' prices, despite this being an optimum range to achieve the desired policy objectives of urban intensification.

### *Design*

Beyond balancing construction efficiencies with perceived consumer demands, design has not been a significant feature of the housing provided for the general market in Victoria and Australia. Professional design services are more often viewed by the house building and

development industry as a luxury item or additional cost burden, rather than valued for providing enhanced amenity, greater flexibility, or a more considered response to climate and site. That certain of the stylistic attributes of high-end, architecturally-designed houses and apartment buildings are 'borrowed' by housing developers does nothing to promote the value of design or the perception of architecture as anything but an affectation or cost imposition.

Design professionals have played a very limited and often marginal role in the general provision of housing (Burke 2009), occasionally teaming up with project home companies (most notably in the Melbourne context, Merchant Builders) or, in the case of the post-war Small Homes Service under Robin Boyd, acting *de facto* as one, to provide designs for detached housing. For speculative medium and high-density development, other than at the top end of the market, professional designers often provide little more than a drafting and statutory approvals function, and occasionally are engaged to design the external 'skin' of a high-rise apartment building, largely as a product branding exercise.

## **Housing demand and consumption**

### *Population and Household Growth*

Currently, more than one third of the total population of Australia lives in either Sydney or Melbourne and it is anticipated this proportion will increase as the nation continues to experience strong population growth. Melbourne is expected to generate 19% of Australia's total new demand for housing to 2029, second only to the southeast Queensland region (21%) during the same period (NHSC 2010: xiii). Using a 'medium growth scenario,' the ABS projects the population of Melbourne to approach seven million by 2056 (Major Cities Unit 2010: 32). This high level of growth is putting pressure on urban housing and other systems.

While population growth does impact demand for housing, more significant for housing consumption is the rate of household formation. This is influenced as much by demographic change as population increase. Key trends in this regard are the ageing of the population and the reduction of household size occasioned by the growth of one and two person households as a proportion of all households. The implications for housing demand are uncertain, but there is a likely mismatch between these smaller households and the existing stock (NHSC 2010a: 6-7), with anecdotal evidence (Pradolin 2009: 8-9) also suggesting it is difficult for many 'empty nesters' in the older middle suburbs to 'downsize' their accommodation in a viable way. Meanwhile, the average size of new houses in Australia in 2008-09 was an all-time high of 245.3m<sup>2</sup> (Major Cities Unit 2010: 42) – among the largest in

the world! Apartment sizes in high-rise development, on the other hand, have been steadily decreasing (Vedelago 2011).

### *Housing Tenure*

Australia has for a long time had a very high level of home ownership, consistently around seventy per cent of the tenure mix since the mid-twentieth century. Private rental accounts for about one quarter of all tenure arrangements and has traditionally been viewed as a transitional tenure along the course to home ownership. The regulation of this sector reflects this expectation. Public rental housing was introduced as a viable tenure in the post-war era, to help provide greater stability in the housing market overall. Over the last two decades, however (and along with the rest of the social housing sector), it has become effectively welfare housing: a residual tenure servicing a population with increasingly high and complex needs.

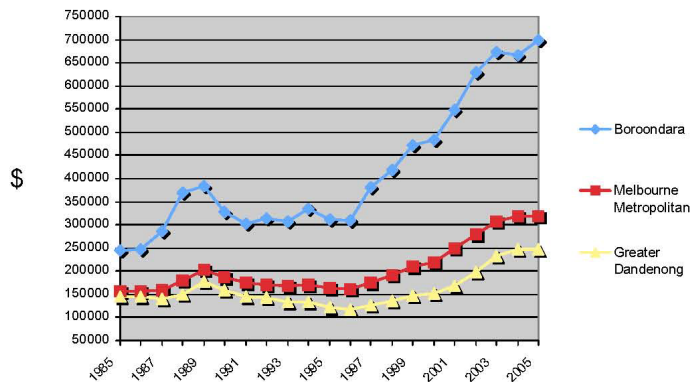
While owner-occupation remains the chief objective for most housing consumers, declining affordability has meant the median age of first home purchasers has been rising sharply (NHSC 2010: 11). Later entry into home ownership has increased competition for rental properties, occasioning an affordability crisis in rental markets and putting added pressure on the shrinking and ageing social housing stock. As a result, an increasing number of households in all tenures are experiencing housing stress.

### *Housing Markets and Location*

Another significant trend of the last fifteen years has been the spatial reorganisation of housing sub-markets, consistent with changing preferences in housing location. In this period, competition for housing has intensified in all areas within approximately ten kilometres of the Melbourne CBD.



## Real Median House Prices, 1985-2005 Metro Melbourne, Boroondara & Greater Dandenong\*



Source: Valuer General, converted to 2005 dollar values.

\* The City of Boroondara and City of Greater Dandenong were, respectively, the most advantaged and most disadvantaged Local Government Areas in Melbourne according to the ABS *Index of Relative Socio-Economic Advantage and Disadvantage, 2006*.

This can be understood in relation to broader ('global') economic and cultural changes impacting labour markets and the location of employment opportunities, and influencing lifestyle preferences within Australian cities. The renewed importance of the central business district as the focus of an increasingly service-oriented economy, and the growth of 'new economy' jobs in and near the CBD, has enhanced the popularity of inner-urban areas as residential locations (Stilwell & Jordan 2008). The 'casualisation' of work and the decline of manufacturing (which had been substantially located in the suburbs) have further exacerbated this trend. Multi-unit housing development has been closely tied to this process (Burke and Hayward 2001), with the market supplying high and medium density housing predominantly in higher value inner and middle ring suburbs.

### Urban Form

For their size, Australia's major cities exhibit some of the lowest residential densities anywhere in the world, resulting in a highly dispersed urban form. Melbourne is typical, with its nineteenth century core surrounded by swathes of predominantly low-density residential development, the latter punctuated by areas of local industry and commerce. The evolution of this form has to a large extent been determined by the concurrent evolution of transport technology and the housing system, described above.

The argument has long been put that dispersed urban form and related low housing densities have a detrimental environmental impact. While the proposed remedy of urban consolidation has been contested on the same grounds (Troy 1996), more recent focus on the sustainability of urban regions has continued to centre on debates about urban density and the need to transition to alternative forms of urban development (Perkins *et al.* 2007; Roberts 2007; Alford & Whiteman 2009; ASBEC 2010). On these bases, it has been argued that the redevelopment of ageing, established residential precincts ('greyfield' development) will be essential if Melbourne is to transition towards becoming a sustainable urban region (Newton 2010).

Economic arguments have also been used to promote policies to increase urban densities. Research in the US urban context suggests a direct connection between urban intensity and economic prosperity (Ciccone & Hall 1996; Carlino *et al.* 2006; Abel *et al.* 2010), with particular population density thresholds being required to support certain types of business opportunity and to make viable the provision of sustainable transport and infrastructure (Whiteman 2010).

### **Australian housing provision: analysis**

**Land for new housing is primarily sourced through change of use. This is an unsustainable approach.**

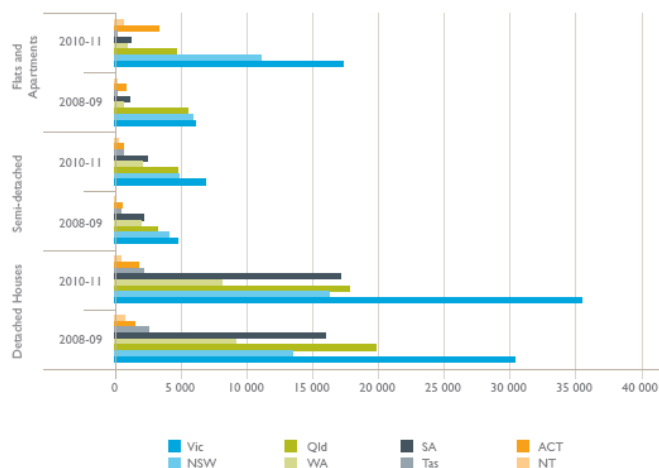
Land supply for new housing is currently a combination of rural land rezoned for residential use ('greenfield' development) and redevelopment of land in established urban areas, some through the intensification of use of existing residential land, but most through the rezoning of industrial, commercial or public land ('brownfield' development). In Melbourne, new residential land on the urban fringe accommodated forty-six per cent of the supply of new dwellings in 2010 (a sizeable proportion of the remainder was new detached housing in 'established' outer suburbs).

Despite an Urban Growth Boundary, outward expansion of the urban region is likely to continue indefinitely under present housing supply models as the land development industry requires continued urban expansion and greenfield subdivision to capture the profit inherent in the land release process. While this enables consumers to benefit from the savings currently to be had through the 'house and land package' development model, as a regional solution to affordable housing supply (and half of total provision!) it is neither environmentally nor socially sustainable (Dodson & Sipe 2008).

Market conditions required for the development of brownfield land to be viable can also result in a number of unsustainable outcomes. Inner urban and waterfront sites – in effect ‘global places’ marked by conspicuous consumption (Dovey 2005)—are developed as high rise and have high carbon footprints, while middle ring and outer urban sites are frequently under-realised in terms of dwelling yield, as land development models typical of greenfield sites prove the most viable. Current urban development and housing supply models are not able to achieve the strategic redevelopment of ‘greyfield’ precincts which Newton (2010) claims is required for regional transition to sustainable urban form, while existing processes of residential intensification are both a cause and effect of declining housing affordability (Burke and Hayward 2001: 61).

Figure 3 below, reproduced from the 2011 State of Australian Cities report (Major Cities Unit 2011), graphically illustrates these current patterns of housing growth in Melbourne and highlights the difficulty of unlocking the development potential of the established middle suburbs, considered essential for the transition to a more sustainable urban future.

Figure 2.30 Number of dwellings approved by dwelling type, States and Territories 2008-09 and 2010-11



Source: ABS 2011b

**There is a growing disjuncture between the housing that is being supplied and the housing that is needed. Current systems of provision are unlikely to ameliorate this.**

Demographic trends in household formation raise questions about the appropriateness of Melbourne’s housing stock – both the existing and that which is being built – to suit future housing need. The NHSC (2010: 20) suggests that growth in the proportion of smaller

households will require multi-unit housing to increase as a proportion of all housing being produced. This runs counter to the established trend of large average dwelling size while the average household size continues to decrease (Major Cities Unit 2010: 43). It is also forecast that the ageing of the population will reveal a shortfall in housing that is both physically suitable and appropriately located to service a substantial cohort of elderly residents (NHSC 2010: 136 ff.; Major Cities Unit 2010: 98).

The private residential development and building sector has been unresponsive to this latent demand (Chandler 2010). This is implicit in the comment, made by the NHSC in relation to demand projections (2010: 20) that, "if the supply of dwellings does not match anticipated demand, or if the supply is not affordable, demand may be redirected." The alternative claim made by the Major Cities Unit (2010: 103) that, "The preference for single detached dwellings among home buyers has increased the demand for this type of housing, resulting in the expansion of the urban fringe," confuses cause and effect. People are buying houses on the urban fringe because that is what they can afford. They are buying detached houses in these locations because that is what is being supplied. Research by the Grattan Institute (Kelly 2011) into latent consumer preferences confirmed a shortage of well-located medium density housing.

There is also a growing shortfall of well-located affordable housing across all tenures. The widening supply gap between the shrinking social housing sector on the one hand, and the increasingly costly owner occupied stock on the other, is very likely affecting new household formation (Chandler 2010: 4). An increasing number of modest and middle-income households who traditionally could afford home ownership are no longer able to because of the high cost of housing. Some will compromise by purchasing in locations that are less convenient for them but others will remain in private rental with negative implications for their retirement (Sharam 2011). Declining housing affordability is also linked to the under-supply of housing itself, which is feeding into higher rental costs. This problem is manifesting spatially, with the stock of inner urban rental housing decreasing relative to demand and becoming highly unaffordable (Wulff *et al.* 2009).

**Residential intensification is extremely difficult to achieve. This makes policy objectives predicated upon it equally difficult to implement.**

Despite the fact that all past metropolitan planning strategies for Melbourne have viewed multi-unit housing provision as a means to accommodate household growth and achieve a

more sustainable urban form for the region (Alves 2006), its actual development has waxed and waned considerably and in response to external economic and market factors rather than planning intent. Successful implementation of strategic planning policies has therefore been predicated on the expectation that government can or will influence the housing market and urban development processes to a greater degree than has actually been the case. This issue applies as much to the location of multi-unit development as the overall volume of its supply. The difficulty of encouraging or redirecting development to designated activity centres or preferred development zones was noted in the *Melbourne 2030 Audit* (p. 37), as was the problem of achieving a supply of more affordable housing (pp. 59-60).

Essentially, multi-unit housing development is a form of speculation on property markets. It carries high risks but also, therefore, the prospect of high and quick returns. The financial risk inherent in speculative multi-unit housing development causes its supply to be opportunistic, fragmented and highly dependent on external economic factors. Existing high quality, high amenity residential environments promise a good return on investment but here development frequently encounters strong opposition from established residents who are concerned about loss of local cultural heritage, existing urban character or private amenity (Huxley 2002).

### **Housing development co-operatives**

In Australian cities currently, people looking to purchase a home can either buy an existing dwelling or acquire a block of land on which to build a house. Unless they have an involvement in the building industry, individual households don't initiate multi-unit housing developments in which they intend to own and/or occupy a unit. Almost all medium and higher density housing is built speculatively by developers. Housing development co-operatives are a mechanism that can enable home buyers to be more involved in choosing new medium density housing that is suitable to their needs, in terms of both dwelling design and location.

### ***Baugruppen***

Since the 1990s, *Baugruppen* (building co-operatives) have come to play a significant role in the provision of infill multi-unit housing and the development of urban regeneration areas in a number of major city regions in Germany (Krämer & Kuhn, 2009; Fuchs & Orth, 2000). Originally a grass roots movement, building co-operatives are now actively encouraged by local and State authorities (Junge 2006: 5). The type of housing the co-operative builds is

dependent upon local context and the desires of the members of the co-operative (Liese 2008). Unlike typical multi-unit developments, dwellings are tailored to suit the diversity of households involved and might embody other collective ambitions, such as higher standards of environmental performance (Gabriel 2008), or the provision of shared facilities (Liese 2008). Once the development is complete, member households become owner-occupiers of their individual dwellings, with common aspects of the property managed in the usual way by the equivalent of an Owners' Corporation (de Maddalena & Schuster, 2005: 44).

Some German governments play a role in promoting the concept of co-operative development and informing people and groups about the benefits and issues involved and providing advice about the process. Figure 4 below shows the cover of an information brochure published by the State of Berlin.



#### Wohnen in der Berliner Innenstadt

Informationen für  
Baugemeinschaften  
und Baugruppen



Other states more actively facilitate co-operative development by designating state-owned land for this purpose, or through the subdivision of appropriately sized lots in brownfield redevelopment precincts (de Maddalena & Schuster, 2005). Groups are granted development options for these sites while the project is planned. If the state accepts the development proposal then the land is sold to the group and the development process

begins in earnest. A more detailed description of the process adopted in these instances can be found in Junge (2006: 6) and de Maddalena and Schuster (2005: 43-44).

The co-operative development process provides work for local architects (de Maddalena & Schuster, 2005: 87), and in Germany there are several architectural firms that specialise in providing design services to building co-operatives (Liese 2008). This service often includes enabling the group in their collective decision-making process. To help facilitate this, these firms often develop a simple and efficient structural system which establishes a basic design approach yet allows a level of individualisation for each dwelling (Gabriel, 2008; Roedig Schop Architekten, 2008). Housing developed in this way can be very innovative. The development pictured below (Figure 5), for example, by Berlin architects Kaden + Klingbeil, is a pioneering seven storey timber building which utilises advances in timber engineering technology to create a sustainable prefabricated structure.



### **Affordability**

A major benefit of owner-initiated medium density housing development is its potential to offer cost savings in the final dwelling price. This is partly because the developer's profit margin, which can be in the range of fifteen to twenty *per cent* (Department of Architecture,

Monash University, 2010), is eliminated as a component of the cost; but also because the co-operative is able to make progress payments to the builder during construction, reducing the overall cost of financing the development. In one of the few Australian examples, a thirteen-unit cluster housing project in Harvest Road, North Fremantle (designed by the author and built in 1980), the cost savings compared to a speculative development in the area were estimated to have been twenty-eight *per cent* (Dolin *et al.*, 1992: 26). In addition, the dwellings were valued upon completion higher than comparable nearby development, owing to their superior quality (*Ibid.*: 26). More recent comparison between *Baugruppe* developments in Berlin and contemporaneous nearby developer-led projects has elicited similar findings (Chan 2010: 34) and suggests savings of greater than thirty *per cent* in some instances (*Ibid.*: 40-41). Similarly, co-operative developments at a major brownfield redevelopment site in Tübingen were reported to be “30 *per cent* more favourable than what is available in the real estate market,” (de Maddalena & Schuster, 2005: 44) while built to a “relatively high quality” (*Ibid.*). Apartments in these same developments averaged 108 square meters, also “above market average” (*Ibid.*: 44), and included large balconies and terraces (*Ibid.*: 40).

## **Housing choices**

In addition to the potential cost savings and greater control over the design, there is also the opportunity to unlock some of the other potential benefits of medium density development that are currently precluded by the speculative nature of the development process. These include making it viable for older households to downsize and ‘age in place’, permitting a greater variety and diversity of housing types and sizes, both in particular locations and within the one development, and enabling local communities to exert more direct control over residential consolidation in their neighbourhoods, while seeking the benefits afforded by good design.

This also opens the possibility that a greater variety of dwelling types and sizes can be achieved through infill development than are presently being provided, contributing to greater diversity of the overall housing stock, and enabling greater opportunity for direct and positive community engagement in the process of residential intensification. In addition, the quality of medium density housing development, in terms of both dwelling amenity and environmental sustainability, is likely to improve, as ‘whole-of-life’ cost and long-term use value can become drivers of development, rather than maximising yield and sale price at completion.



## **Other urban policy benefits**

Making surplus government-owned land available to housing development co-operatives could also be a means of using this type of housing provision to deliver other government objectives with minimal capital outlay for the State. These might include:

- enabling a supply of perpetually affordable housing in a range of locations (through linking co-operative provision with a land trust and/or a co-operative tenure model);
- delivering housing diversity at major brownfield or other redevelopment precincts, and;
- initiating housing supply on difficult brownfield and infill sites.

## **Enabling housing development co-operatives**

From the German experience, a crucial element to the flourishing of housing development co-operatives is the designation of a central agency that can help broker their formation and facilitate their engagement with the development process. This agency would also promote the development of standard legal processes and agreements and financial products and services tailored specifically to housing development co-operatives, to simplify procedures, make households' choices and obligations clear, and remove any existing impediments.

Although housing development co-operatives can function just as well on land obtained through private markets, offering development options on State or Local Government land scheduled for disposal is a way to promote this type of housing provision, at least until it becomes more established. Early, more closely assisted projects can also be used to demonstrate the benefits of this development model and to work through in practice the legal and financial servicing issues particular to this type of development.

## **Conclusions**

Housing development co-operatives have the potential to play a part in addressing many of the dilemmas associated with housing provision and urban growth outlined in this paper, by providing the means to introduce demand side drivers into the medium density housing market, and removing speculation as the only impetus for development. Purchasers still use mortgage finance to fund construction of their new homes but, by aggregating demand for housing and cutting out the 'middle man', housing development co-operatives could open up

a new range of choices to households currently experiencing difficulty gaining access to the housing market or finding housing that is appropriate to their needs.

With respect to some of the supply issues identified in the first part of this paper, housing development co-operatives appear to offer a viable means of delivery and a potential driver for medium density housing development in established urban areas, where the market has generated inconsistent, but generally lower levels of supply. Co-operative development could also provide an opportunity for design and sustainability considerations to have a more substantive impact on built outcomes, including more contextual responses to site conditions and user requirements.

With respect to the demand and consumption issues outlined, the potentially lower cost of co-operatively developed housing could enable access to owner-occupation for the growing number of middle income households currently unable to access home ownership in many locations. By introducing more (and specifically demand-side) drivers to the development of medium density housing, current market processes that favour development only in certain locations and on particular types of sites could potentially be countered as well.

Most importantly, housing development cooperatives provide the opportunity to manage household growth by directing it into existing residential precincts, potentially enabling intensification in line with state policies. Whereas current provision is captive to supply drivers that affect certain outcomes and are slow to respond to changes in demand, a more mainstream cooperative development process within the housing system could be more responsive to need and demographic change. In the wider policy context this represents a unique opportunity to offer an integrated response to both housing and urban policy issues and could be an important part of the solution to unlocking the development potential of the middle suburbs.

In the management of urban growth, intensification based policies have struggled to negotiate the tension between improving the sustainability of metropolitan regions while maintaining liveability, especially housing affordability. Facilitating the establishment of a mainstream process for cooperative housing development could offer Australian state governments a possible lever to manage the location of urban growth and simultaneously address issues of housing affordability and metropolitan sustainability.

## Reference List

- Abel, Jaison R, Ishita Dey and Todd M Gabe, 2010, 'Productivity and the density of human capital', *Federal Reserve Bank of New York staff reports*, No. 440, March 2010.
- Alford, Gavin, and Jeremy Whiteman, 2009, *Macro-urban form, transport energy use and greenhouse gas emissions: an investigation for Melbourne*, Department of Transport, Melbourne.
- Alves, Tom, 2006, *Managing Medium Density Housing Development: A Municipal Case Study*, PhD Thesis, Swinburne University of Technology, Melbourne.
- Australian Sustainable Built Environment Council (ASBEC), 2010, *Cities for the future: baseline report and key issues*, February 2010.
- Burke, Terry, 2009, 'Housing, urban sustainability and the design professions', *Architect Victoria*, Summer 2009, p. 6.
- Burke, Terry, and David Hayward, 2001, *Melbourne's housing past, housing futures*, Department of Infrastructure, Melbourne.
- Carlino, Gerald, Satyajit Chatterjee and Robert Hunt, 2006, *Urban density and the rate of invention*, Federal Reserve Bank of Philadelphia, Working Paper No. 06-14, August 2006.
- Chan, Winnie yuen-pik, June 2010, *The phenomenon of building group (Baugruppe) in Berlin: what changes when a community starts building?*, Masters' Thesis, Dessau Institute of Architecture Graduate School, Anhalt University of Applied Sciences.
- Chandler, David, 2010, 'Challenging the traditional private sector residential development and building company model', paper presented at *2009 Housing Researchers' Conference, Sydney, 5-7 August 2009*, City Futures Research Centre, Issues Paper No. 9, January 2010.
- Ciccone, Antonio and Robert E Hall, 1996, 'Productivity and the density of economic activity', *The American Economic Review*, Vol. 86, No. 1, March 1996, pp. 54-70.
- de Maddalena, Gudrun Theresia, and Matthias Schuster, 2005, *Go south: the Tübingen model*, trans. Geoffrey Steinherz, Ernst Wasmuth, Tübingen.
- Department of Architecture, Monash University, 2010, *Designing affordable sustainable housing – DASH: pilot research and design report, March 2010*.

- Dodson, Jago, and Neil Sipe, 2008, 'Energy security and oil vulnerability', in Peter Newton, ed., *Transitions: pathways towards sustainable urban development in Australia*, CSIRO Publishing, Collingwood, pp. 57-73.
- Dolin, AJ, GL London and KH McQuoid, 1992, *Sector 4 housing: a concept to address the need for urban consolidation and better communities*, A Report to The Office of The Family, Government of Western Australia, The Rowland Company, West Perth.
- Dovey, Kim, 2005, *Fluid city: transforming Melbourne's urban waterfront*, UNSW Press, Sydney.
- Fuchs, Dörte, and Jutta Orth, 2000, *Bauen in der Gruppe: Kostengünstig, Innovativ, Ökologisch*, Callwey, München.
- Gabriel, Andreas, Ed., 2008, 'Nine solar terraced houses in Munich', *Detail: Review of Architecture*, Vol. 48, Series 2008, no. 9, Living Together, pp. 929-931.
- Huxley, Margo, 2002, '*This suburb is of value to the whole of Melbourne*': *Save Our Suburbs and the struggle against inappropriate development*, Working Papers, No.6, Institute for Social Research, Melbourne.
- Infrastructure Australia, 2008, *A Report to the Council of Australian Governments*, Australian Government, December 2008.
- Junge, Christian, 2006, *Developing without developer: practice and potential of building co-operatives in urban development – the German case*, Dissertation submitted as part of the MSc Regional and Urban Planning Programme, London School of Economics and Political Science.
- Kelly, Jane-Frances, 2011, *The housing we'd choose*, Grattan Institute, Melbourne.
- Krämer, Stefan, and Gerd Kuhn, 2009, *Städte und Baugemeinschaften*, Wüstenrot Stiftung, Ludwigsburg, and Karl Krämer Verlag, Stuttgart and Zürich.
- Liese, Julia, 2008, 'House-building cooperatives – a model for the future', *Detail: Review of Architecture*, Vol. 48, Series 2008, no. 9, Living Together, pp. 902-906.
- McLoughlin, J Brian, 1992, *Shaping Melbourne's Future?* Cambridge University Press, Cambridge
- Madden, Justin, 2009, 'Opposition to a bigger Melbourne smacks of cultural snobbery', *The Age*, Thursday, June 25, 2009, p.17.
- Major Cities Unit, 2011, *State of Australian cities 2011*, Commonwealth of Australia, Department of Infrastructure and Transport, Canberra.

- Major Cities Unit, 2010, *State of Australian cities 2010*, Commonwealth of Australia, Infrastructure Australia, Canberra.
- Melbourne 2030 Audit Expert Group, 2008, *Melbourne 2030 Audit Expert Group report*, Department of Planning and Community Development, Melbourne.
- National Housing Supply Council (NHSC), 2011, *State of supply report*, Commonwealth of Australia, Department of Sustainability, Environment, Water, Population and Communities, Canberra.
- National Housing Supply Council (NHSC), 2010, *2nd state of supply report*, Commonwealth of Australia, Department of Families, Housing, Community Services and Indigenous Affairs, Canberra.
- National Housing Supply Council (NHSC), 2010a, *Key findings of the 2nd state of supply report*, Commonwealth of Australia, Department of Families, Housing, Community Services and Indigenous Affairs, Canberra.
- Newton, Peter, 2010, 'Beyond greenfield and brownfield: the challenge of regenerating Australia's greyfield suburbs', *Built Environment*, Vol. 36, No. 1, pp. 81-104.
- Newton, Peter, 2008, 'Metropolitan evolution', in Peter Newton, ed., *Transitions: pathways towards sustainable urban development in Australia*, CSIRO Publishing, Collingwood, pp. 171-188.
- Perkins, Alan, Steve Hamnett, Stephen Pullen, Rocco Zito and David Trebilcock, 2007, 'Transport, housing and urban form: the life cycle transport and housing impact of city centre apartments compared with suburban dwellings', Paper presented at *3rd State of Australian Cities Conference, Adelaide, 28-30 November*.
- Pradolin, Robert, 2009, 'Failure to understand market dynamics', *Architect Victoria*, Summer 2009, pp. 8-9.
- Roberts, Brian, 2007, *Changes in urban density: its implications on the sustainable development of Australian cities*, CSIRO, Canberra.
- Roedig Schop Architekten, 2008, 'Housing for a building group in Berlin', *Detail: Review of Architecture*, Vol. 48, Series 2008, no. 9, Living Together, pp. 968-980.
- Sharam, Andrea, 2011, *No home at the end of the road?: a survey of single women over 40 years of age who do not believe they will own their housing outright at retirement*, Swinburne University of Technology and the Salvation Army Southern Territory, Melbourne.

- Stilwell, Frank, and Kirrily Jordan, 2008, 'Globalisation', in Peter Newton, ed., *Transitions: pathways towards sustainable urban development in Australia*, CSIRO Publishing, Collingwood, pp. 91-101.
- Troy, Patrick N, 1996, *The Perils of Urban Consolidation: A Discussion of Australian Housing and Urban Development Policies*, The Federation Press, Leichhardt.
- Urbis, 2010, *National dwelling costs summary – FaHCSIA*, January 2010.
- Vedelago, Chris, 2011, 'The story of the incredible shrinking units', *The Age*, May 7 2011.
- Whiteman, Jeremy, 2010, 'Transport and stationary energy and greenhouse gas emissions scenarios for Melbourne 2031', *Australasian Transport Research Forum 2010 Proceedings, 29 September – 1 October 2010, Canberra*.
- Wulff, Maryann, A Dharmalingam, Margaret Reynolds and Judith Yates, 2009, 'Australia's private rental market: changes (2001-2006) in the supply of, and demand for, low rent dwellings', *AHURI Positioning Paper*, No. 122, August 2009.