

Australian Unity

**Submission to the
Working Group on
Affordable Housing**

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Summary

Australian Unity has been a provider of “social infrastructure” for Australians over the past 175 years. We seek to enable millions to enjoy wellbeing, in its broadest sense.

In this submission we highlight the role that mutuals such as Australian Unity can play in improving housing options for Australians. Mutual organisations place engaging with the community and our membership at the heart of our work, yet services can be delivered by such organisations at a national scale. These will be critical features of increasing the scale of affordable housing in Australia. Mutuals such as Australian Unity can operate at a national scale to enable the capital formation necessary, yet local communities are engaged in the design of housing solutions that meet their needs.

This submission builds on our submission to the inquiry into accommodation for people with disability undertaken by the Commonwealth Parliament’s Joint Standing Committee (JSC) into the NDIS. Many of the issues we highlighted in our submission to the JSC are equally relevant to creating more affordable housing for all Australians.

Australian Unity’s submission to this inquiry focuses on two issues.

1. Housing models that are missing from the current landscape of service offerings: the creation of intentional communities and expanding the support for multi-generational housing that maintains family relationships;
2. Changes that we recommend to Australia’s regulatory system to better support mutuals.

Recommendations

Australian Unity Proposes that Federal and State Governments:

1. **Encourage mixed use developments when creating affordable housing.** Governments should recognise the benefits to households from living in mixed communities—including intentional communities—by prioritising this in the funding of affordable housing projects.

2. **Consider supporting alternative ways to meet people’s housing needs, including supporting multi-generational housing.** Government funds for affordable housing should be able to fund the capital cost of developing housing where families can remain living together across generations. This can be achieved through villa style housing adjacent to aged care facilities to enable older people to continue to live with their adult children; and relocatable independent living units that can be located on the site of a family home.
3. **Make and encourage land transfers and partnerships between housing developers and social-purpose landholders.** The land held by state and local government, as well as community and religious organisations, should be leveraged in the community’s efforts to expand affordable housing options.
4. **Better utilise local government planning incentives to create affordable, senior and disability housing.** Local governments in inner city neighbourhoods can use planning incentives such as ‘inclusionary zoning’ bonuses that allow developers to increase density in exchange for creating affordable housing for low income households.
5. **Consider using a Social Impact Bond to support the viability of intentional communities.** Intentional communities bring people together to provide a supportive living environed. The informal support networks in these communities can that can reduce other government costs, including reducing hospital admissions for older Australians.
6. **Define the term “mutual” in the Corporations Act.** Express recognition of the mutual corporate form in the Corporations Act would be a fundamental step toward mutuals receiving appropriate treatment and a level playing field, including improving mutual’s ability to provide affordable housing.
7. **Amend Australian law and regulation to enable the issue of such securities by mutual organisations.** This would allow tax-paying mutuals to utilise currently unusable franking credits and would also remove a competitive disadvantage for these types of mutual companies versus typical shareholding companies.

1. About Australian Unity

Australian Unity is a national healthcare, financial services and retirement living organisation providing services to more than three quarters of a million Australians including some 300,000 members nationwide. Australian Unity's history as an independent mutual organisation dates back 176 years.

Australian Unity has responded to the social challenges Australia has faced throughout the 20th century. In February 2016, the NSW government transferred to Australian Unity its Home Care service, under which over 4,000 carers became new employees of the company. As a result of this acquisition Australian Unity is also now one of the largest providers of care to Indigenous Australians. Australian Unity has around 6,500 employees overall.

Australian Unity's overarching goal as an entity is to enable its members and customers to enjoy wellbeing across their life course. As such it has a number of businesses supporting older Australians, including retirement villages, residential aged care facilities and home care services. As a provider of health insurance we protect almost 200,000 Australians against the risks of costly and expected medical bills. Our Remedy Healthcare program helps people to stay healthy and out of hospital in their own homes. Australian Unity's retirement communities assist over 3,000 older Australians to continue to live as independently as possible in communities with friends and supports. And our financial services give Australian families the information they need to plan for a financially secure future.

Australian Unity is encouraged that governments are specifically examining the role of mutual and co-operatives in expanding Australia's affordable housing stock.

Mutuals currently play a significant role in Australia's social fabric. Australian Unity believes that mutuals provide an ideal model for expanding affordable housing in Australia. Australian Unity supports the submission by the Business Council of Co-operatives and Mutuals to the JSC inquiry into the NDIS that highlighted the role of mutuals in providing housing and support where "members have a stake in the shared human, social and financial capital created by the co-operative".¹

2. Potential service models

In this submission we outline two models that are currently missing from the housing landscape. In our submission to the JSC we have highlighted these as being missing from the disability housing options but believe they are as relevant to the broader affordable housing landscape. Australian Unity believes that these two housing models would provide a diverse set of options for Australians, including people with disability, to choose from in selecting where they live, who they live with and how they build a sense of community.

3. Model #1: Intentional communities that foster support and engagement

Many Australians want to live in communities that are tied together by a strong sense of belonging and mutual support from those who live nearby. Strong community support is alive and well in some of Australia's neighbourhoods but finding and becoming a member of these communities can be difficult. This is especially the case for Australians who may experience marginalisation and exclusion from other parts of Australian society such as people with disability.

Australian Unity's experience in retirement living shows that good housing and community design can create natural supports and genuine relationships that form between members of the community. The geographic and social social isolation of low income households, including people with disability, has prevented many of these natural relationships from developing.

Australian Unity believes that a key part of the housing landscape should be housing projects that are deliberately created to attract people wanting to be part of a strong community, giving and receiving support from those who live around them.

The concept of intentional communities has been applied in different ways across Australia, the United Kingdom and the United States. Research has shown that the benefits for people with disability living in intentional communities compared with housing salt and peppered through existing communities are:

- An increased sense of belonging.
- Strong informal support networks.
- Development of natural friendships and relationships

3a. Designing intentional communities

The intentional community would include people of different ages, family types, support needs and life interests. People would be encouraged to engage with the broader community through the design of housing and buildings and through active community development activities.

Australian Unity's award winning *Better Together* model of support is well suited to assisting people with disability living in intentional communities. The *Better Together* model was developed based on extensive international research and focus groups that demonstrated the importance of individualised support and linking this funded support to empowerment of residents. Our goal through *Better Together* is to help each resident enjoy hobbies, interests and activities that were perhaps not possible at home alone. We are committed to the view that each resident has the potential to have a great day every day.

The community would include a mix of tenants – Australians with disability, families, older Australians and low income households. To encourage a mixed and diverse community, there would also be a mix of affordable housing and market rate housing.

Housing would be owned by a single housing provider who would be responsible for managing the properties and supporting the overall community. In practice this type of housing and support model can take a number of different forms.

- **Apartment building complexes.**

Apartments allow people with disability to live in very close proximity to their family or friends while also having their own privacy. Apartment building living also creates scale for on-site services (such as sharing support workers already on-site) and amenities (hydrotherapy pools and recreational spaces).

Apartment buildings can also be located within the heart of communities providing easy access to transportation, work, health and community services as well as public spaces and entertainment. This can enable people with disability to be highly integrated into the life of their community and reduce the costs of transportation and assistance with community participation.

- **Dispersed townhouses and units.**

The dispersed townhouses and units model provides more urban space for the community to use and is better suited to middle and outer metropolitan areas. The flexibility of townhouse and unit living can enable a more diverse community compared with apartment living, while still supporting shared services that can be easily and quickly provided.

- **Small suburban community.**

An alternative approach for mixed communities is to use new housing developments in suburban communities. These developments benefit from being attractive to many household types, and also provide people with larger open spaces. Developing intentional communities in low density suburban communities can be challenging due the limited availability of land to develop a sizeable community. The location of new developments further away from public transport and amenities also makes these developments more challenging to achieve.

The Australian Capital Territory (ACT) recently developed an intentional community called 'Benambra' that is centred around three young men. The development was created in an in-fill urban community which was developed by Housing ACT.

3b. Case study of intentional communities

Australian Unity's Rathdowne Place development is an example of how Australian Unity is working to develop a new model of aged care that brings older Australians into the heart of the community. Rathdowne Place is visionary in its approach and embracing of world leading technologies and expertise. This approach moves away from institutional style care to one underpinned by flexibility and respect for the needs and tastes of each individual resident.

Australian Unity believes that as older Australians and people with disability are given more choice about who they live with and where they live, we will see people wanting to live in mixed communities close to services. Modern and stylish developments such as Rathdowne Place can be the basis for mixed communities, rather than developments for only people with disability or older Australians. These diverse communities would comprise a proportion of people with disability and older Australians, with the majority of residents living in affordable or market rate housing. Using similar models to Rathdowne Place, Australian Unity is in a great position to create more international communities.

3c. Delivering intentional communities

Intentional communities require higher levels of co-ordination compared with developing single-unit housing for people with disability for two reasons. First, intentional communities aim to bring together a diverse range of tenants which means bringing together multiple funding sources to create affordable housing options for other tenants. Second, resourcing is also required for ongoing community building.

As a result of these challenges, the version of intentional communities we see in Australia are largely aged care communities which can draw on residential aged care funding from the Federal Government as well as resident contributions. Australian Unity believes that people’s lives are enriched by living in diverse communities that are closely connected to the broader community around them.

The drive and innovation for these communities must come from the energy of housing developers working with local communities and future residents. Governments can help to facilitate these communities in four ways.

1. **Encouraging mixed use developments when creating affordable housing.** The Governments should recognise the benefits to households from living in mixed communities—including intentional communities—by prioritising this in the funding of affordable housing projects.
2. **Encouraging land transfers and partnerships between housing developers and social-purpose landholders.** The land held by state and local government, as well as community and religious organisations, can be the basis for creating intentional communities. This can include leveraging existing disability group home sites on large parcels of land could be used to redevelop small scale townhouses and units. Larger parcels of land that are underutilised can also be used to created intentional communities at scale, including inner city public housing sites and urban redevelopment sites.
3. **Better utilising local government planning incentives to create affordable, senior and disability housing.** Local governments in inner city neighbourhoods can use planning incentives such as ‘inclusionary zoning’ bonuses that allow developers to increase density in exchange for creating affordable housing, and housing for older Australians and people with disability.

Planning incentives are particularly useful for creating intentional communities in apartment buildings because they allow housing developers to add higher value units to the top of the building attracting a more diverse range of tenants and generating additional revenue that can increase the affordability of other units in the building or invest in additional community building activities.

- 4. Support the viability of intentional communities by recognising the social value they create through a Social Impact Bond.** Intentional communities can provide tremendous support for residents who may otherwise have poor social outcomes. Existing aged care funding is not sufficiently flexible to enable older Australians to live in intentional communities. Governments could establish a Social Impact Bond that would pay for the housing and support costs for a specific group of people who would live in the intentional community. Because it is a Social Impact Bond, the government would only pay if the outcomes were achieved. The types of residents/outcomes that could be included in a Social Impact Bond are: reducing hospital admissions for older Australians; and increasing employment for people who are long term unemployed.

4. Model #2: Multi-generational housing

Historically the majority of accommodation stock suitable for people with significant disability in Australia has been provided by “cohort specific” disability support provider organisations. This situation has the effect of significantly limiting a person’s choice of accommodation type and location, resulting in people being socially isolated in exclusive settings. For many years now this type of specialist disability accommodation has been considered inappropriate and not providing the dignity, diversity and choice needed to promote a more independent lifestyle.

Additionally, many people with disability live with ageing carers. Ageing carers are extremely concerned about the future for their adult children. The sustainability of care in these households is precarious and can fall apart unexpectedly if a parent becomes unwell or is unable to care for their adult child. This leads to placements of people with disability into second and third best housing options that are often based on whatever option is available at the time.

Over the past few years Australian Unity has been engaging with families where a dependent adult child has a disability and lives at home with ageing parents.

These conversations have demonstrated to us the importance of the relationship between adult children and their parents. Many people with disability will want to move out of home and into housing with peers and these NDIS housing options should be created. Yet for a small proportion of children with disability, their preferred living arrangement is to continue to live with their ageing parents. This is also the preferred living arrangement of some parents of adult children with disability.

Australian Unity is sensitive to the need to balance the expressed preferences of people with disability and their families with other scheme goals of full community participation and inclusion.

We believe that the solution to this situation is not to break apart strong natural family relationships and force people with disability into living arrangements that are not of their choosing. Rather, we believe the right public policy approach is to find ways to achieve both goals simultaneously – create housing that enables multi-generational living while also supporting active community participation beyond the home.

4a. Designing multi-generation housing:

The built form is critical to how any person interacts with their surroundings, and it has a major influence on a person's well-being. For most Australians however the built form can be navigated with little thought or effort because it was designed to meet our physical and cognitive needs.

Good built design combines a user's functional requirement with their preferences, i.e. what a person needs with what a person wants. In mainstream housing the functional— or needs—part of the design equation is well understood due to the relative homogeneity of many people's functional requirements.

Australia's housing stock is generally designed for single family use with the majority of adult Australians living either alone or with a domestic partner and dependent children. For people with disability who wish to continue to live with other significant people in their lives, Australia's current housing stock has relatively little innovation. It is not common for housing designs to allow people to live together while also promoting independence. New housing designs can enable people with disability to live with the people they choose—including parents and family members who are non-dependent children.

High quality multi-generation housing will:

- be designed in consulting with people with disability and their family;
- provide separate living areas, bathrooms and cooking facilities to encourage independence, growth and dignity;
- include spaces for people with disability to have spaces that are inviting to friends, family and other community visitors;
- be geographically located to take advantage of existing services but remain imbedded in the mainstream community; and
- be equipped with home automation, assistive technologies—and tele health services where required—to provide greater independence and dignity whilst reducing lifetime care costs.

The following examples demonstrate different models that can allow people with disability to live with family members where this is their preference, in a way that makes caring sustainable, promotes independence and builds on existing infrastructure.

Units located nearby, but separate, to retirement communities: These homes are two or three-bedroom villa type accommodation located closely to an aged care facility to enable people with disability and elderly parents to live together as parents age.

The unit would not be located in a retirement village, but would be located in very close proximity. This could include street-facing units located on the blocks adjacent to an aged care facility. This enables ageing parent to access support from the retirement village while allowing the person with disability to continue to live in an entirely community-based setting.

The design of the unit would provide separate cooking facilities, bathroom and living areas for the person with disability. The person with disability could receive some services from the aged care provider (including 24/7 concierge services) while also purchasing supports from other community providers. The unit would be suitable for a range of other purposes—such as for two unrelated aged care residents to share—should the family relocate, which provides an alternative use over the life of the housing unit.

Units would also be equipped with assistive technologies to promote independence.

Depending on the individual's financial position, these villas could be supplied for purchase under similar conditions as other tenants in the village, shared equity or social rent which would be supported by an NDIS accommodation payment.

In-home support for multi-generational households: An alternative model would support families to continue to live together by creating a separate living area for people with disability and providing in-home support to both parents and the adult child with disability.

This model would enable families to continue to live together in their home and add an independent living unit to the home that provides a separate living area for the person with disability. The living unit could be relocatable which means that as the participant's living goals change, the unit can be relocated to a new site for the same participant or be reallocated to a different participant.

Families would remain living on the same site, within the community, and continue to provide each other with informal support and have strong natural relationships. It allows for paid support to be shared between parents and the participant. This can enable some participants to effectively live alone (in the separate independent living unit) but not require high-cost '1 person' living costs because these are shared with the care needs of their ageing parent.

This model also benefits from its flexibility. Given that there are a large number of people with disability living with ageing parents, it allows for a gradual transition from living in the same home as parents through to more independence. People with disability would move from the home into a separate living unit on the same site, and then this provides a platform to move out into the community in 3-10 year's time.

In summary, multi-generational accommodation design needs to be driven by the demands from people with disability and families. It should always be ensuring that alongside maintaining strong family relationships, participants are developing their independence and capacity and are fully included in their community.

4b. Case study of multi-generation housing - Characteristics of different multi-generation households.

The rise of multi-generation households can have significant implications for housing providers and planners in Australian cities.

Little research, however, has thus far focused on the housing situations of these households bar the notable exceptions of young adults' property purchase behaviour with the assistance of their parents (Cobb-Clark & Ribar 2009; Olsberg & Winters 2005). As a first step in understanding these housing implications, it is essential to get a picture of the types of dwellings multi-generation households live in.

4c. Delivering multi-generational housing:

Multi-generational housing currently occurs naturally with adult children living with ageing parents. This model is delivering poor outcomes for both people with disability and their ageing carers. For some families that want to continue this arrangement, the outcomes for both parents and people with disability can be radically improved by providing the right support services and better physical design.

Australian Unity recommends governments undertake the following action to ensure the best possible outcomes for both people with disability and their ageing parents.

1. **Consider supporting alternative ways to meet people's housing needs, including supporting multi-generational housing.** Government funds for affordable housing should be able to fund the capital cost of developing housing where families can remain living together across generations. This can be achieved through villa style housing adjacent to aged care facilities to enable older people to continue to live with their adult children; and relocatable independent living units that can be located on the site of a family home.

5. Broader reforms to support affordable housing

Mutual organisations have the potential to make a very significant contribution to expanding the housing choices for people with disability. The White Paper on co-operatives and mutuals launched in 2014 demonstrated the opportunities of mutuals in public service delivery. It highlighted the benefits of the mutual form in the organisation operating for the explicit benefit of members, engagement of members in the design of its services, reinvestment of operational surpluses in member services and provide a mechanism for long-term value creation.ⁱⁱ

Aspects of Australia's regulatory settings do not fully capture the unique role of mutuals in Australia. The lack of appropriate regulation is reducing the capacity of mutuals like Australian Unity to operate effectively and raise capital.

As Australian Unity highlighted in our submission to the Senate Inquiry into Co-operative, Mutual and Member-Owned Firms in June 2015,ⁱⁱⁱ addressing these barriers would improve transparency and codify the regulatory settings for mutuals.

5a. Proposal 1: Defining the mutual corporate form

Mutuals are currently not ideally served by the Corporations Act. The mutual form is not defined in the law, and various forms of mutuals have come under the jurisdiction over time through various mechanisms; sometimes simply as a result of historical accidents.

Given the lack of express recognition, the Corporations Act, related regulatory regimes, regulators themselves and even courts reflect and have developed practices that attend to the circumstances of companies formed for profit maximisation as distinct from service maximisation.

One practical example is access to debt markets. Mutual organisations have traditionally had a more difficult path to fully accessing debt markets than shareholding companies might experience. For instance, it can be more difficult for mutual entities to issue debt instruments, given the Corporations Act does not clearly set out an approach to this for mutuals, at least not in the transparent way that it does for shareholder entities to issuing such securities.

This reduced access to debt markets (or higher costs of that debt, should a path to access be found) is a significant drag on the ability of mutuals to invest and grow, in order to fully address the service and economic interests of their members/customers.

Australian Unity proposes that:

1. **Australian Unity believes “mutual” should be specifically defined in the Corporations Act.** This should be as an entity:
 - a) being a body corporate where member liability is limited by the guarantee of its members (usually a nominal amount), rather than by share capital;
 - b) that operates an enterprise; and

- c) in which membership (including any voting rights) is obtained as result of a person receiving a product or service or having another strong personal connection with the company such as an employment relationship, rather than by way of a formal application for membership (as distinct from think-tanks or charities) or an application for shares (as distinct from a body corporate limited by shares).

In this proposed definition of mutual the key characteristic is that membership of the company is achieved through the receipt of a product or service because, practically, it is this dual relationship – where individuals are concurrently customers and members of a company – that distinguishes mutuals from other corporate forms and business models.

Express recognition of the mutual corporate form in the Corporations Act in this way would be a fundamental step toward mutuals receiving appropriate treatment and a level playing field, in pursuing their purpose.

5b. Proposal 2. Providing other options for capital raising by mutuals

Generally, mutual organisations can only access capital through retained earnings and directly sourced debt, such as bank debt.

Typical shareholding companies can access external capital markets. They can issue shares and debt instruments and list them on exchanges, if required, with well-understood and often limited documentation requirements. Rating agencies can assign ratings to these instruments, and provide market guidance on the appropriateness of financial ratios, further facilitating markets for these organisations and their capital-raising instruments.

Mutuals on the other hand, operate within a less-clear legal regime in respect of their capital structure. This, in turn, results in overly complicated capital-raising instruments (Which are generally limited to debt instruments), hampers market understanding of the performance and prospects of the organisation, and undermines efficient rating.

This limitation and its flow-on effect of limiting diversity of corporate form within an economy has been recognised in a number of other significant jurisdictions, notably the UK, Canada and The Netherlands.

In these jurisdictions, corporate regulation define and permit (and importantly, does not preclude) the issue of financial securities by mutuals, for example by the Mutuals Deferred Shares Act in the UK.

Australian Unity proposes that:

1. **Australian law and regulation be amended to enable the issue of such securities by mutual organisations.** Consideration should also be given to the opportunity to permit franking for the returns on such instruments in the Australian context. This would allow tax-paying mutuals to utilise currently unusable franking credits and would also remove yet another competitive disadvantage for these types of mutual companies versus typical shareholding companies.

ⁱ Business Council of Co-operatives and Mutuals (2015). **Submission to the Joint Standing Committee on the National Disability Insurance Scheme.**

ⁱⁱ Business Council of Co-operatives and Mutuals (2014). **Public Service Mutuals: A third way for delivering public services in Australia. White Paper.**

ⁱⁱⁱ Australian Unity (2015). **Submission to the Senate Inquiry in Co-operative, mutual and member-owned firms.**