

Public stock transfers to community housing the best option for a sustainable and financially supportable housing system

LARGE SCALE TRANSFERS OF PUBLIC HOUSING TO COMMUNITY HOUSING PROVIDERS ARE DESIRABLE IN ACHIEVING A SUSTAINABLE AND FINANCIALLY SUPPORTABLE SOCIAL HOUSING SYSTEM.

KEY POINTS

- There were 21 279 public housing transfers to community housing providers (CHPs) between 1995 and 2012, with most taking place in New South Wales and involving management outsourcing rather than title transfer.
- The aims of stock transfer are to: build the capacity of CHPs; help increase social housing revenues through Rent Assistance (RA) and the leveraging of private investment; improve services for tenants; empower tenants; and renew neighbourhoods.
- To date only limited tenant or community consultation has occurred prior to stock transfers. While residents were generally able to choose whether to remain a public housing tenant, management of their property was often taken up by a new organisation 'under contract'. This model has been an inefficient way to manage isolated public housing tenants and can lead to different service levels for tenants in the same building or estate.
- Future large-scale stock transfers will require clearly stated, measureable objectives at the outset. More efficient processes are needed for consultation with tenants, the contracting of tenant management to new

*This bulletin is based on research conducted by **Professor Hal Pawson, Associate Professor Vivienne Milligan and Dr Ilan Wiesel** at the AHURI Research Centre—University of NSW, and **Professor Kath Hulse** at the AHURI Research Centre—Swinburne University of Technology. The research examined previous transfers of existing public housing to community housing providers in Australia in order to inform objectives and operational framework for large-scale future transfers.*

landlords, the selection of successor landlords and redeploying former State Housing Agency (SHA) staff.

- Asset (or title) transfers would maximise the scope for community housing innovation and entrepreneurialism. Issues with the level of social housing subsidy and accountancy conventions relating to transfer of title will need to be addressed.

CONTEXT

Most state governments in Australia have been examining the potential to transfer public housing to CHPs in keeping with a 2009 intergovernmental agreement to expand community housing to 'up to 35 per cent of all social housing by 2014'. Since 2012, three jurisdictions—Tasmania, Queensland and South Australia—have announced plans to transfer a total of approximately 54 000 tenancies over the next few years.

RESEARCH METHOD

This project investigated two types of public housing stock transfers: *management outsourcing*, where public housing management is contractually delegated to a community housing provider for continued social housing use; and *asset transfers*, where the ownership of housing assets is transferred to a community housing provider for social housing use. Six transfer programs in three jurisdictions (New South Wales, Tasmania and Victoria) were selected as case studies, including four involving management outsourcing and two asset transfers.

The project comprised:

- A survey of all states and territories.
- Twenty-nine in-depth face-to-face interviews with CHPs, SHAs, treasury officials, community housing peak bodies and tenancy advocacy groups.
- Focus groups involving 31 residents whose homes had been transferred to a new landlord.
- Interviews with experts across five jurisdictions.

KEY FINDINGS

Forms of management and asset transfer over the last 10–15 years

Across Australia, 21 279 public housing dwellings were transferred between 1995 and 2012, with significant increases since 2007, the vast majority of which were management outsourcing initiatives in New South Wales.

Until recently, many transfers in Australia had involved either vacant properties or the transfer of titles for homes already under CHP management. Only in New South Wales had substantial transfers involved the homes of existing public housing tenants. Since 2012, however, this pattern has changed drastically, with a wave of new, larger-scale transfers involving the management outsourcing of tenanted properties in Queensland and Tasmania.

Drivers of management and asset transfers

Most pre-2013 transfer programs in Australia lacked clearly stated and measureable objectives specified at their outset. Even so, this study reveals that these programs aimed to diversify social housing through an expanded community housing sector as well as a number of distinct policy objectives to:

- *Maximise revenue* through capture of Rent Assistance (RA) payments for which community housing tenants (but not public housing tenants) are eligible.
- *Leverage properties for growth*, whereby CHPs use transferred housing assets as security so they can borrow private finance to generate new social housing supply.
- *Improve services* for tenants and enhance operational efficiency of CHPs with larger portfolios.
- *Empower tenants and communities*.
- *Renew communities*—especially in the relatively substantial initiatives underway in Queensland, South Australia and Tasmania in 2013.

Tenants and public housing transfers

Public housing transfer proposals in Australia have tended to involve limited tenant or community consultation. An 'individual choice' approach has been applied to residents of properties designated for possible handover. However, while a resident may 'individually choose' to remain a public housing tenant in the formal sense, they may find their property being managed by the designated new landlord 'under contract' resulting in situations where individual tenants in the same estate have different conditions.

In the UK there is a collective choice (ballot) model, which means the proposed transfer proceeds only when backed by a majority of tenants (via a ballot) and the transfer applies to all dwellings in the designated area or estate. Research suggests this is more efficient for management and implies a governance model where a social landlord is accountable to the existing tenant population as well as to the broader community. It is, however, not directly transferable to Australia given different conditions and legislation.

The impact of transfers

Measureable success of stock transfer programs undertaken to date include:

- Community housing sector expansion—about two-thirds of post-2003 sector growth has resulted from transfers.
- *Leveraging* additional growth in the number of units of social housing—such as 20 per cent more in New South Wales (though under a lengthy delivery schedule).
- Generating significant additional *revenue* for the social housing system through community housing tenants being able to access RA.
- More personalised, responsive style of service provided to more tenants by community housing providers in comparison with SHA counterparts.

However, outcomes remain unclear in relation to other aspects of the transfer programs. For example, until recently, aspirations for tenant and community empowerment have remained a lower order policy priority in Australia (unlike in the UK). The major exception has been Victoria's transfer of ex-public housing to Aboriginal Housing Victoria, a landlord entity specially created for the purpose. It is also too soon to assess whether public housing transfers have materially contributed to place management and community renewal.

POLICY IMPLICATIONS

Compared to recent experience, future transfers are likely to be significantly larger in scale and to involve greater risk for CHPs. Transfer programs need to have clearly stated, measurable objectives at the outset, and evaluation should measure achievements so as to improve future practice. Developing a stronger case for transfers would help overcome political and operational barriers to securing tenant and community support.

Gaining tenant support will smooth the way for transfers. 'Collective choice' models (similar to UK tenant ballots on transfer proposals) offer a way to empower tenants presently occupying public housing in the decisions about future transfers while providing a more 'efficient' process.

Whether future transfers will involve giving long-term asset control to CHPs is a critical outstanding policy question, but it is clear that transfer of control has the potential to increase CHP entrepreneurialism, innovation and build capacity to manage assets. A key requirement for larger scale transfers is financial modelling to calibrate the minimum resource requirements needed to sustain an efficient and sustainable multi-provider social housing system.

The existing framework for achieving transfers is also inadequate. Priority areas for policy development include:

- Successor landlord selection processes.

- The need to establish a minimum acceptable property standard for social housing.
- More rigorous modelling of the leverage potential that arises from transferring tenancies.
- Greater certainty about the level of future subsidies for social housing, irrespective of what organisation owns and manages the property.

To optimise the benefits of transfers, state governments will need to pursue potential routes to overcoming financial and accounting barriers. This will call for national leadership. Options for managing staff reductions in SHAs will also need to be developed and negotiated in keeping with relevant government employment policies and obligations.

FURTHER INFORMATION

This bulletin is based on AHURI project 71008, *Public housing stock transfers in Australia: past, present and prospective*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting AHURI Limited on +61 3 9660 2300.

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