With several Australian States marching forward to the brave new world of stock transfer, Dr Tony Gilmour pauses to reflect on whether this is the magic bullet to solve the supposed ills of the social housing sector.

We live in interesting times. The Labor Government in Tasmania and the true-blue Coalition Government in Queensland are marching shoulder to shoulder under the banner of stock transfer. As if by magic, the switch of landlords from the public sector to community housing organisations will solve social ills on troubled estates and make the whole system financially sustainable.

In mid-2013 we are at a good point to review what exactly is going on. While political consensus is good, do we have consensus over the right housing policies? Are we driving change by thinking about what is best for tenants and communities, or what looks best for bean counters? And finally, is this the shape of the future or are we about to have yet another housing policy that lasts about as long as the tenure of a Commonwealth Housing Minister?

Rearranging the Chairs

Viewing Australia from outer-space, an inter-galactic housing policy traveller may raise the rather obvious point that stock transfer does not create new social housing. However many times we change the name of the landlord, we do not build any new homes for people in housing need.

Given that in Australia we have barely five per cent of our housing that is ‘social’ and caters for very low income and disadvantaged people, the real issue is to deliver more social housing. I do not see the day where we have 20 per cent to 30 per cent social housing, as in many European countries. However, we need to make sure that at least five per cent of new housing of any type we build caters to high needs groups. We build plenty of housing, but very little social and affordable housing these days.

Many people believe community housing providers offer a higher quality of service for tenants. I agree that this is the case with the best run community providers, and there is no doubt some state housing authorities treat tenants like feudal serfs. Overall, however, there remain good and bad landlords in both sectors. We need to improve landlord quality as much as push for stock transfer.

Where community housing works particularly well is bringing the organisation closer to the people. Many of our state housing authorities are among the largest in the world. It is hard to give friendly and personalised service when you have 100,000 or more tenants. Modest sized, locally based, not-for-profit housing organisations that network with other service providers in their community are a great model for the future.

Bring in the Money

If better service to tenants is not the main driver in governments transferring housing to the not-for-profit sector, the most likely motive is financial. A series of reports, including a blistering report from the Victorian Auditor General and by Peter Costello in Queensland have highlighted the woeful finances of state housing authorities. Although never exactly intended as commercial enterprises, these organisations have fast-increasing deficits that state governments are either unwilling or unable to subsidise.

Public housing is not so much a failed model, and an under-funded one. The lack of solid investment in property maintenance dates back decades, and has been an issue under both Coalition and Labor Governments. The Nation Building Economic Stimulus made a major impact, though we probably need this level of investment every three or four years.

Community housing is probably cheaper to deliver. I say probably as there is no data available, and state housing authority accounts are about as transparent as a brick wall. Generally, not-for-profit housing providers are lean on their overheads and headcount, and some may say mean in their staff salaries. By trans-
ferring stock, there is likely a saving in regular running costs, and in theory a small amount of extra money to meet the repair back-log and build new affordable rental homes.

The Bank of Abbott
The real beauty for state governments is that community housing tenants bring with them Commonwealth Rent Assistance (CRA). For State Treasurers, moving tenants from the public sector brings this further subsidy from the national coffers. Although CRA is modest, it can make a significant contribution in addition to the rather modest rents receivable from low income tenants. Without CRA, the drivers for stock transfer would be more limited.

Whether we pay for social housing through state grants or Commonwealth subsidies, tax-payer dollars are involved. In an age of austerity, such funding is limited. It seems unlikely that the Commonwealth is going to be prepared to allow the ‘Bank of CRA’ to continually allow unlimited overdrafts to the States. If Tony Abbott becomes Bank Manager, CRA may become more credit-rationed.

Thankfully there are other financial benefits to stock transfer. Using the cash-flows of tenant rents, and the security of their housing assets, community housing providers can raise bank finance. In Britain the sector has facilities of some $100 billion. Here, progress has been more modest and slower. However, many of the larger community housing groups have bank facilities from $5 million towards $100 million.

Community housing bank loans allow new social housing to be built, and for an investment in new systems and professional management. Even better for governments, the loans are ‘off balance sheet’ and therefore not likely to threaten the state’s credit rating. Loans not only bring cash, but financial discipline. Borrowing money can help transform larger community housing groups from sleepy landlords into dynamic social enterprises.

Tasmanian Devils
Although most states have undertaken stock transfer in the past, the leader of the pack in recent times has been Tasmania. Much to everyone’s surprise, the State Government took the Housing Minister’s vague target to get 35 per cent of social housing run by community housing groups by 2014 as Holy Writ.

Tasmania’s ‘Better housing futures’ program was launched in 2012 and a wave of out-of-state housing providers pitched to manage some 500 homes near Hobart. Sydney-based MA Housing won the prize, and took most of the year to agree acceptable terms. In April 2013, a further three packages of around 1,200 homes each were placed out to tender. The winners are yet to be announced, but there has been plenty of interest from housing groups in Queensland, New South Wales (NSW) and Victoria.

The Tasmanian ‘stock transfer’ is not quite what it seems. Tenancy management is out-sourced, for a fixed term, with most assets continuing to be owned by the state. Staff have an opportunity to apply for jobs with the community housing provider, though there is no guaranteed pathway. Tenants have been coaxed to transfer across to the community housing provider, though retain their security of tenure. Welcome to Tasmania — stock transfer without the transfer of stock.

Logan’s Run
Anything Tasmania can do, Queensland can do bigger and better. Late in 2012, an Expression of Interest contest led to around a dozen not-for-profit housing groups bidding for a massive 4,800 stock transfer in the Logan region. Logan is mid-way between Brisbane and the Gold Coast, and has a reputation as being a less than desirable place to live in, and is scene of the occasional riot.

Logan follows Tasmania in the (non-) stock transfer of assets, at least except for a few sites where properties will be developed. However, the lucky Logan winner will inherit the housing office and staff. Tenants need to be coaxed across, though alternative legislative approaches are being pursued as an alternative.

The Queensland Government recently announced that all public housing would be transferred from their management by 2020. A 100 per cent transfer certainly trumps the 35 per cent target elsewhere. It remains to be seen how this will progress, and how fast. Large stock transfers are complicated and protracted. Governments often lack the required skills for even a single transfer, so several transactions running in parallel would be highly ambitious. There is also a more than distant chance there will be community opposition to the change.

One of the three lucky bidding consortia will learn in the next few weeks that they have been successful in Logan. Time will tell whether this is a golden opportunity or poisoned chalice. Either way, the winner will immediately become Australia’s largest community housing provider in terms of properties under management.

What Next?
There is talk of Victoria and South Australia following the lead of Tasmania and Queensland. NSW seems unsure of asset holding by community housing groups, and Western Australia appears to prefer to continue with their already commercialised Department of Housing. The Northern Territory has set up its own not-for-profit housing organisation, and other jurisdictions may follow suit. On paper, therefore, much of the country is moving to a community housing delivery model for social housing.

The real issue will be the future of CRA. Much of the impetus to growing the community housing sector through recent stock transfer has been fuelled through a Commonwealth subsidy really intended to support lower income households in the private rental sector. Countries with a welfare approach such as Australia will always need a support mechanism like CRA, but there are many ways of designing who gets what financial support. In America, Section 8 housing subsidies — a little like CRA — are rationed. Many in housing need go without support. Let’s hope we don’t follow suit.
People Power
While we need to sort out the dollars, we also need to consider people; most particularly, tenants and staff. So far there has been no consistent approach as to what happens to these groups, and in particular whether their rights are protected. Turkeys tend not to vote for Christmas, and without at least the tacit agreement of tenants and staff, the stock transfer approach will fail.

Britain only moved towards successful large scale transfer once housing worker’s employment rights were protected. Perhaps the Australasian Housing Institute should be leading the campaign on this front. More importantly, tenants were given the right to vote. If a majority in an area voted for a transfer, all moved to a new landlord. As a result, housing associations had to work hard to show that tenants would get better customer service and faster repairs. Transfers in nearly all cases led to better and more innovative landlord approaches, not just a welcome injection of cash.

Futurology
Transfers of social housing to community housing providers may well prove one part of the jigsaw for future sustainability of the social housing system. But we need to carefully plan how all the pieces fit together. If and when the National Affordable Housing Agreement is reviewed in 2014, we need to bring together the disparate elements. These should include CRA and the taxation system.

One size does not fit all. We need a diversity of different types of social housing organisations. Public housing may still play a role, along with newly formed Arm’s Length Management Organisations and stock transfer community housing groups. Maybe we will see more housing cooperatives, or even allow tenants to run a larger housing organisation themselves.

Stock transfers provide the opportunity to move, step by step, from the near-monopolistic positioning of the state housing authorities. Transfers of management, as seen in Tasmania and Queensland, allow housing groups to build capacity. Later they may receive title transfer.

One day we may even have state housing authorities and community housing organisations jointly regulated, and competing for funds. Market-based competition to provide the highest quality landlord services to social housing tenants? Perhaps that will take us closer to an economically and socially sustainable social housing system.

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Tony has reviewed stock transfer overseas, and is co-author of ‘After council housing, Britain’s new social landlords’ (Palgrave Macmillan, 2010). He also worked on behalf of community housing providers in Australia with stock transfer in Tasmania and Queensland.

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