Community Futures

New Opportunities for Neighbourhood Housing Providers

Community Housing Federation of Australia
Final Report, April 2011
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Community Futures: New Opportunities for Neighbourhood Housing Providers

Forward

This report details the findings of research into the future role that neighbourhood housing providers might play in an expanding community housing sector.

The research process was led by the Community Housing Federation of Australia (CHFA) and was undertaken between October 2010 and March 2011.

Milestones during this process have been:

- The release of the CHFA Positioning Paper Community Futures – New Opportunities for Neighbourhood Housing Providers, prepared by Tony Gilmour and Eddy Bourke and circulated in October 2010.

- A national workshop with selected neighbourhood providers and state and territory peak bodies representing neighbourhood providers, held in Brisbane in November 2010.

- Semi-structured interviews with key staff of neighbourhood providers and networked support organisations.

As the final research output, this report summarises what CHFA has learnt during this research process about the composition, future role and support needs of neighbourhood providers.

This is a synthesis document that brings together the findings of the Positioning Paper and the consultation undertaken at the national workshop. The report summarises the key research findings, and concludes with recommendations for action.

These recommendations are designed to support and enhance the viability of neighbourhood providers. They will be of interest to government agencies, networked support agencies and neighbourhood housing providers.

From positioning paper to final report

This report reproduces material from the CHFA positioning paper Community Futures- New Opportunities for Neighbourhood Housing Providers, by Tony Gilmour and Eddy Bourke.

The significant new material in this report can be found at Section 4, which summarises the methodology and findings of the national workshop and Section 5, the recommendations. This final report also includes some updates to the methodology at Section 2 and very minor changes to the Literature Review at Section 3.

Acknowledgements

CHFA would like thank Tony Gilmour of Elton Consulting for his invaluable assistance with the project.

The authors are grateful to support from their respective organisations, and for the guidance received from Neil Mahoney at FaHCSIA.

CHFA has sought to make this research process a collaborative one. The report has benefited from the input of neighbourhood providers drawn from every Australian jurisdiction. Among them are specialist providers of community housing to groups with distinct needs, and providers working in rural and regional as well as metropolitan locations.

CHFA thanks these neighbourhood providers for sharing their expertise, knowledge and time to make this research possible.
1 Introduction

This report details the findings of research into the composition, viability and future role of neighbourhood housing providers.

Over recent years the focus of Commonwealth and State housing policy has been on funding ‘growth providers’. While important, these organisations form only a small proportion of the total. Across regional Australia, in smaller towns and in city neighbourhoods, a wide range of housing providers make a valuable contribution to their communities. An example organisation is shown in Box 1.

Box 1: Neighbourhood provider profile

Narrabri Community Tenancy Scheme (NCTS) is a small not-for-profit housing and social service organisation based in the remote town of Narrabri. With a population of 7,300, Narrabri is located in north west NSW at a distance of around 600 kilometres from Sydney and Brisbane.

Incorporated in 1990, NCTS provide support, accommodation and training for adults with intellectual disabilities. They also manage 68 properties leased from Housing NSW for local people who are aged, have a disability or earn low incomes. Separate funding from two state government agencies supports two property management staff, and eight staff helping tenants live independently.

Source: Narrabri Shire Council (2009)

Operating at a larger scale can create business efficiencies, allowing community housing providers to offer a wider range of services to their tenants. It may also facilitate raising external finance to build new properties. However, as seen clearly overseas, larger housing providers may become less connected to the neighbourhoods in which they operate.

While recent research has provided insights into ‘growth providers’, this project fills a gap in the literature by considering the hundreds of other housing organisations in the sector. These providers often operate in distinct locations, or supply assistance to people with special needs. Many form the backbone of communities, linking with other support agencies and helping build social capital.

The project has addressed the following three research questions:

- What types of neighbourhood community housing providers operate in Australia, and how do their profiles differ in terms of business model, organisational capacity and location?

- What are the particular advantages of neighbourhood community housing providers, and what collaboration approaches can best ensure their continued viability?

- What is the role of governments and networked support organisations in sustaining neighbourhood community housing providers?

This final report outlines the research method adopted, and reviews national and international literature. It also summarises the findings of the national workshop held in November 2010, and some additional information gathered through a number of
semi-structured interviews with key staff of neighbourhood providers in March 2011. Based on this material the report makes a number of recommendations for action by networked support organisations, government agencies and neighbourhood housing providers.

What is a ‘networked support agency’?

The term ‘networked support agency’ refers to organisations and groups that represent the interests of community housing organisations. These include state and territory peak bodies for providers of community housing, industry groups representing large growth providers of community housing, informal networks of neighbourhood housing providers (which may include other stakeholders), and the national peak body for all community housing providers: the Community Housing Federation of Australia (CHFA).
2 Methodology

This section summarises the research method adopted by this project based on three principal topic areas agreed between CHFA and FaHCSIA in September 2010.

2.1 Housing provider profile

Principal research question:

- What types of neighbourhood community housing providers operate in Australia, and how do their profiles differ in terms of business model, organisational capacity and location?

Subsidiary questions:

- How are community housing providers viewed in terms of their size? What scale of organisation is seen to be needed to operate efficiently, and is this based on research or normative assumptions?

- What are the drivers for current small and medium providers looking to grow, and how might that growth be achieved?

- Is Australian experience in line with international trends and practice?

Research notes:

- As anticipated in the initial methodology agreed with FaHCSIA, the neighbourhood housing providers attending the Brisbane workshop and the people interviewed for the semi-structured interviews were not randomly selected, nor were they evenly distributed across jurisdictions. They were selected based on CHFA’s assessment that they were typical of organisations of their size, and their ability to provide rich information.

- 18 of the 21 organisations that participated in the workshop were representatives of state and territory peak bodies whose members include neighbourhood providers. These workshop participants were invited in recognition of their knowledge of trends and issues for their constituent organisations.

Research method:

- Tony Gilmour and Eddy Bourke undertook a national and international literature review which was included in the Positioning Paper. This is reproduced in Section 3, below.

- Data gathered during CHFA’s (2007) sector mapping project was reviewed. This is included in section 3, below.

- A national workshop was coordinated in Brisbane, November 2010. Facilitated by Tony Gilmour, the workshop was attended by more than 20 neighbourhood housing providers and peak body representatives from across Australia.

- A small number of follow-up semi-structured interviews with key staff of neighbourhood housing providers were undertaken. These were conducted to address information gaps remaining after the Brisbane workshop.

2.2 Collaboration approaches

Principal research question:

What are the particular advantages of neighbourhood community housing providers, and what collaboration approaches can best ensure their continued viability?
Box 2: BlueCHP collaboration example

In 2008 five well established and strongly performing medium sized NSW community housing providers formed a special purpose vehicle, Blue CHP Ltd. The organisation acts as an asset developer and owner for them, enabling them to expand their housing portfolios. Blue CHP is on a rapid growth path, having successfully received NRAS incentives.

BlueCHP is an innovative way for like-minded community housing organisations to achieve critical mass to support a development function. They are able to employ specialised property staff that would not be cost-effective for the individual consortium members.


Subsidiary questions:

• What are the factors that have encouraged providers to grow? For example: scale economies leading to lower costs, personal ambition, better provision of services, aim to move to a national organisation?

• What are the disadvantages of remaining a smaller provider? For example, are there resource issues, or credibility concerns when negotiating with funders?

• To what extent have the perceived benefits of growth and merger been realised?

• Have there been any problems with growth and mergers? For example, less connection with tenants and communities, savings not realised, management challenges etc?

Research method:

• As detailed in section 2.1.

2.3 Sector support options

Principal research question:

• What is the role of governments and networked support organisations in sustaining neighbourhood housing providers?

Subsidiary questions:

• What do organisations consider to be the gaps in support and service provision for neighbourhood housing providers?

• How can neighbourhood housing providers best be accommodated within a national regulatory framework? For example, should a tiering structure be adopted and, if so, how should the tiers be defined?

• How well do peak bodies, trade associations and other actors in the community housing network support small and medium providers?

• How can the support provided to small and medium providers be increased, and who should be responsible making changes?
Research method:
• As detailed in section 2.1.

• Overview regulatory structures across Australia, and practical implementation issues surrounding new network approaches. These include:
  • ‘Common equity’ models used for co-operative housing delivery.
  • Development consortia such as BlueCHP, described in Box 2.
  • Initiatives by peak bodies.
  • Other emerging partnerships including shared services and resources.

These matters are explored in Sections 3 and 4.

What is a neighbourhood provider?

The research has tested an initial assumption that neighbourhood providers are those that manage fewer than 250 homes.

CHFA’s conclusion is that neighbourhood providers are defined by a combination of size and community ties. Neighbourhood providers:

• Are small to medium providers (generally less than 250 properties);

• Have close connections to a place-based local community; or

• An affinity with the aspirations and needs of a niche or specific community of tenants. Examples include people exiting homelessness, people with disabilities, and other groups with defined experiences, aspirations or needs for housing and/or support.
3 Literature Review

Discussions about the profile of the community housing sector often involve ‘taken for granted’ assumptions about ideal organisational size and ways of achieving economies of scale. Cross-national research can bring clarity, by contrasting different countries’ approaches.

However, care should be taken when assessing overseas case studies. National differences in industry structure are shaped by the legacy of existing social housing stock, the boundary between public and community housing providers, and contrasting regulatory, financial and housing policy environments.

3.1 Australian Sector Profile

The community housing sector’s size and composition is contested. This is due to the relatively low institutionalisation of the sector, accentuated by different approaches to regulation across jurisdictions (Gilmour, 2010, forthcoming). For example, in Victoria a narrow definition of provider is taken in contrast to NSW and Queensland where a wider range of welfare organisations are included.

FaHCSIA, based on AIHW data, consider there are 930 community housing providers (Australian Government, 2010). This is lower than the estimated 1,150 providers who are subject to state and territory regulation (Gilmour & Pawson, 2010).

Both these numbers for sector size exclude Indigenous housing providers which have traditionally been seen as separate types of providers. They probably also exclude the majority of providers – mainly of small scale – that are not funded by the National Affordable Housing Agreement (NAHA).

- Size distribution

During recent debates on a possible move to national community housing regulation, FaHCSIA stated that there are approximately 45 larger community housing providers. These comprise just under 5% of all providers, and between them manage 63% of tenancies (Australian Government, 2010). This suggests that the 95% of providers who are small or medium manage on average 15 tenancies each.

The large number of small community housing providers has led some to question their future. As detailed in 5, KPMG has raised issues of the viability of smaller organisations, though noted that voluntary support makes the issue of optimal size difficult to determine.

KPMG’s size and function based typology of the community housing sector is shown in Table 1. Financial modelling confirmed that the last three provider types are all financially viable.

Table 1: KPMG views on sector structure

<table>
<thead>
<tr>
<th>Category</th>
<th>Tenancy range</th>
<th>Total tenancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small specialised</td>
<td>&lt; 50</td>
<td>11,863</td>
</tr>
<tr>
<td>Medium tenancy manager</td>
<td>50 - 499</td>
<td>12,134</td>
</tr>
<tr>
<td>Large tenancy manager</td>
<td>&gt; 499</td>
<td>9,082</td>
</tr>
<tr>
<td>Housing owner developer</td>
<td>n/a</td>
<td>5,440</td>
</tr>
</tbody>
</table>

Box 3: Size and economies of scale

The small size of organisations was also identified through the consultations as a potential barrier to viability and sustainability. It has been highlighted that smaller organisations managing less than 20 dwellings (which currently make up 75% of providers) do not have the capacity to develop economies of scale which can assist in lowering the cost of procurement, reducing staffing costs per dwelling and providing other cost saving opportunities.

However, research into the viability and sustainability of the community housing sector also suggested that access to volunteer labour may be a significant cost saving attribute of community housing providers, particularly those that are smaller in nature.

There may be no definitive answer to the question of the most optimal size of a community housing provider to achieve economies of scale, which can contribute to their viability and sustainability.

Source: KPMG (2009) p.55

Table 2: NSWFHA views on NSW size tiers

<table>
<thead>
<tr>
<th>Size tier</th>
<th>Tenancy range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very small</td>
<td>&lt; 380</td>
</tr>
<tr>
<td>Small</td>
<td>380 - 649</td>
</tr>
<tr>
<td>Medium</td>
<td>650 - 899</td>
</tr>
<tr>
<td>Medium large</td>
<td>900 - 1,349</td>
</tr>
<tr>
<td>Large</td>
<td>1,350 - 1,749</td>
</tr>
<tr>
<td>Very large</td>
<td>&gt; 1,750</td>
</tr>
</tbody>
</table>

Source: NSWFHA (2010) pp.20-21. Based on quintile distribution - allocating equal numbers of providers to 5 categories, then splitting the smallest into two tiers.

The examples in Tables 1 and 2 of organisational size are in sharp contrast to FaHCSIA’s view expressed in the recent regulation debate that ‘the emerging industry view appears to be that the ideal size for sustainable growth is 5,000 dwellings per provider’ (Australian Government, 2010: p.20).

This ‘ideal size’ of 5,000 properties is not directly supported by research evidence. The number may have been derived from an English analysis, shown in Table 3. This was based on a ‘tentative hypothesis’ of business efficiencies rather than detailed costings.

Other stakeholders have differing views on the size distribution of the sector. Interestingly, as shown in Table 2, NSWFHA selected higher size thresholds than KPMG. By contrast, however, they consider an important future for ‘smaller providers who maintain a fairly stable business in defined communities or which provide a specialist service for particular population groups’ (NSWFHA, 2010: p.15).
Table 3: UK views on optimum size

<table>
<thead>
<tr>
<th>Output</th>
<th>Optimal size range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing management</td>
<td>1,000 - 5,000</td>
</tr>
<tr>
<td>Stock investment</td>
<td>&gt; 5,000</td>
</tr>
<tr>
<td>Procurement</td>
<td>500 - 2,000</td>
</tr>
<tr>
<td>Stock development</td>
<td>&gt; 7,000</td>
</tr>
<tr>
<td>Full financial skills</td>
<td>&gt; 5,000</td>
</tr>
<tr>
<td>Full back office services</td>
<td>&gt; 10,000</td>
</tr>
</tbody>
</table>


As the authors of the report cited in Table 3 comment, providers ‘have to think about economies of scale in different ways for different functions’ (CIH, 2007: p.7). There are clear differences in estimated optimum size between tenancy managers, and those undertaking development. Therefore a more nuanced view on organisational size is required depending on the functions of the organisation.

The figures in Table 3 also need to be treated with caution as they are based on institutional factors relating to England, not Australia. For example English housing providers will require a higher set of in-house financial skills due to the greater use of bank loans by most medium and large providers. In Australia, program funding remains more important than loans.

The 5,000 tenancy ‘ideal size’ suggested by FaHCSIA is not considered valid by several community housing peak bodies (CHFV, 2010; CHCSA, 2010). No Australian provider is this large now, with perhaps only a couple capable of reaching this scale in two years. Larger Australian ‘growth’ providers have been able to expand rapidly in recent years and build capacity without reaching the 5,000 ‘ideal size’.

- Size and organisational form

The 2005-6 CHFA community housing mapping project provides insight into differences in size based on type of provider, shown in Table 4.

Table 4: Dwellings by organisation type

<table>
<thead>
<tr>
<th>Type</th>
<th>Providers</th>
<th>Dwellings managed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Range</td>
<td>Mean</td>
</tr>
<tr>
<td>Co-operative</td>
<td>129</td>
<td>2 - 549</td>
</tr>
<tr>
<td>Mainstream</td>
<td>155</td>
<td>1 - 1,006</td>
</tr>
<tr>
<td>Local government</td>
<td>87</td>
<td>2 - 389</td>
</tr>
<tr>
<td>Church based</td>
<td>40</td>
<td>1 - 800</td>
</tr>
<tr>
<td>Welfare</td>
<td>187</td>
<td>0 - 345</td>
</tr>
</tbody>
</table>

Source: Based on CHFA (2007) p.91.

The table highlights that co-operatives, local government and welfare community housing providers have on average smaller numbers of property under management. Larger providers tend to be ‘mainstream’ community housing providers or – surprisingly – church groups.

- Activities and business model

Many of the smaller housing providers are thought to have come into existence through a wide range of earlier affordable housing policy initiatives. NSWFHA (2010) explain the ‘very large number of micro housing projects’ as caused by funding programs such as the Local Government and Community Housing Program. This was a 1984 Commonwealth funded scheme to help community groups and housing cooperatives set up community and tenant managed rental housing.
The various national and state based initiatives that established new affordable housing often lasted for just a few years. However, it appears that many of the early organisations have continued in existence. Some have become ‘mainstream’ providers, seeking new funds for expansion. Many have remained small, managing perhaps a handful of properties.

The move to regulation of community housing providers, in all jurisdictions except Tasmania and the Northern Territory, has led to a greater acknowledgement of ‘non-traditional’ housing providers within the sector. In particular NSW and Queensland require a broader range of providers to seek registration if they are to receive funding from the state.

Examples of the types of ‘non-traditional’ community housing providers are:

- Housing providers that may not be receiving NAHA funding, but funding under another jurisdiction-based program.
- Local government providers, particularly in Queensland and Western Australia.
- Aged care providers, particularly those supplying independent living units for older people on lower incomes. In 2004, 172 organisations provided a total of 14,552 independent living units – an average of 84 per organisation (McNelis, 2004).
- Disability accommodation providers that provide accommodation but are not funded under NAHA. A number of these have been established as cooperatives (KPMG, 2009).
- Homelessness support agencies, funded under the Supported Accommodation Assistance Program (SAAP) – now NAHA.

These are said to be a major element of the 300 smaller agencies in NSW now captured through community housing registration (NSW Government, 2010).

The last three examples above represent organisations with a mix of property and social service activities. As such they may have complex, cross-sectoral business models and be subject to a range of regulatory controls, funding agreements and state contracts.

- Organisational capacity

The capacity of providers varies markedly across the sector, although this conclusion is derived from anecdotal comments rather than detailed research. Larger providers, particularly those with a property development capability, have professionalised over the last decade (Milligan et al., 2009). Gilmour (2009) noted that these organisations typically:

- Employ a senior management team, responsible for strategic issues;
- Appoint a finance director rather than financial controller or bookkeeper;
- Professionally recruit board members, with directors not involved in operational issues;
- Develop well documented control procedures and processes;
- Can afford to employ more specialised staff such as legal counsels, architects, asset managers and property developers.

The larger community housing providers employ upwards of 20 staff, perhaps as many as 80 staff for the largest. This is in sharp contrast to small providers who often rely on one full or part-time employee.
For example, Sapphire Coast manage 78 properties on behalf of Housing NSW, employing one part-time member of staff (Gilmour, 2010). The BEND cooperative, described in Box 5, manage 10 tenancies and do not employ staff.

It should be noted that tenancy numbers do not always give a clear indication of an organisation’s capacity. Many smaller providers are church groups or part of larger welfare organisations (Gilmour & Bourke, 2009). This allows them to draw on the financial, human resource, accounting and premises support from the larger operating entity.

By way of example, when Mission Australia Housing was formed in 2009 it was backed by the resources of one of Australia’s largest social service organisations. Despite currently only managing a few hundred properties, the provider is registered in NSW, Victoria and Western Australia. Through receiving NRAS incentives and Nation Building properties, the organisation looks set to soon become one of the larger providers in Australia (MAH, 2010).

- Location

Approximately two thirds of community housing stock funded under NAHA is in major cities (KPMG, 2009: p.24). Most of the larger housing providers are based in these areas, or in large regional towns. Smaller housing providers are thought to be most concentrated in rural and regional areas – though probably not in remote areas where there is little stock (ibid.).

The exceptions in terms of location are Tasmania and the Northern Territory where non-Indigenous community housing is concentrated in regional and remote areas. It could be expected that these jurisdictions will have a spread of smaller providers based in these locations.

However, these two jurisdictions only have a small proportion of total NAHA funded stock in Australia. CHFA’s earlier 2005-06 mapping project surveyed a wider range of community housing organisations than AIHW, on which KPMG’s research is based, though arrived at similar conclusions – see Table 5.

Table 5: Dwellings per type of location

<table>
<thead>
<tr>
<th>Location</th>
<th>Dwellings</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major cities</td>
<td>60%</td>
<td>24</td>
</tr>
<tr>
<td>Inner regional</td>
<td>22%</td>
<td>9</td>
</tr>
<tr>
<td>Outer regional</td>
<td>14%</td>
<td>5</td>
</tr>
<tr>
<td>Remote</td>
<td>2%</td>
<td>1</td>
</tr>
<tr>
<td>Very remote</td>
<td>2%</td>
<td>&lt; 1</td>
</tr>
</tbody>
</table>

Source: CHFA (2007) p.96. ‘Dwellings’ are percentage community housing units per location type. ‘Average’ is mean number of dwellings per provider.

From Table 5, both community housing stock, and average size of stockholding per provider, diminish rapidly outside cities and inner regional areas. Western Australia and Queensland are said to be the only jurisdictions with community housing in very remote areas. By contrast NSW and Victoria reported no dwellings in remote or very remote locations.

3.2 International Sector Comparisons

The debate on the optimal size of community housing providers, growth through merger and the future of smaller providers is not limited to Australia. In particular the UK and the Netherlands have raised concerns about the size of housing providers following a wave of mergers over the last two decades.
- Organisational size

As in Australia, international research has concentrated on larger rather than smaller providers. From Table 6, the largest overseas community housing providers operate on a considerably greater scale than the largest Australian providers who may manage between 3,000 and 4,000 properties.

Table 6: Largest providers internationally

<table>
<thead>
<tr>
<th>Location</th>
<th>Group</th>
<th>Dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Immobilierre 3F</td>
<td>120,000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Vestia</td>
<td>70,000</td>
</tr>
<tr>
<td>England</td>
<td>Places for People</td>
<td>60,000</td>
</tr>
<tr>
<td>Scotland</td>
<td>Glasgow Housing Association</td>
<td>50,000</td>
</tr>
<tr>
<td>US</td>
<td>Bridge Housing</td>
<td>20,000</td>
</tr>
</tbody>
</table>

Source: Appleyard (2006), Gilmour (2009). Note the data relates to 2006, and stock holdings are approximate only.

The size pattern is not uniform. In the US, providers rarely operate inter-state which limits their growth potential. Many Community Development Corporations survive from the 1960s and 1970s, often managing only a few properties. Funding of schemes through the Low Income Housing Tax Credit places the focus on individual ring-fenced multi-family housing projects, each with an average 50 properties. This reduces scale economies for providers (Gilmour & Milligan, 2009).

The structure of the US community housing sector is therefore more similar to Australia due to the low number of inter-state providers and the emphasis on more local organisations. Despite this, most international comparisons look to European countries whose housing provision is differently structured. In the US, reliance on philanthropy and volunteers allows smaller providers to survive even if they do not have access to city, state or national funding.

In England, where rich data and analysis is available, the sector has continued to support a large number of smaller housing associations even with the increased size of larger providers.

The total number of English housing associations, excluding homes run by the Abbeyfield associations, has been relatively stable over two decades. While some have merged, new ones have been formed through stock transfer from public housing. Their size distribution is shown in Table 7.

Table 7: English housing associations

<table>
<thead>
<tr>
<th>Size tier</th>
<th>Dwellings</th>
<th>Providers</th>
<th>Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>&lt; 1,000</td>
<td>1,307</td>
<td>5%</td>
</tr>
<tr>
<td>Medium*</td>
<td>1,001 - 9,999</td>
<td>334</td>
<td>51%</td>
</tr>
<tr>
<td>Largest*</td>
<td>&gt; 10,000</td>
<td>59</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: TSA (2010a) p.2. * Note that the term ‘small’ is used in the TSA publication, ‘medium’ and ‘large’ are not.

From Table 7, although the vast majority of English housing stock is managed by medium and larger providers, most providers are defined through regulation policy as being ‘small’. The average stock holding of small providers is around 90, compared to 3,700 for medium and 18,000 for the largest providers. Australian affordable housing policy has been strongly influenced by English developments, particularly encouraging the expansion of a smaller number of growth providers through
introducing private finance (Gilmour, 2009).

Data in Table 7 suggests that an expansion of larger community housing providers does not necessarily need to be accompanied by a reduction in the number of small providers.

- **Size distribution**

Comparisons on the mix between smaller and local housing providers is available from Gilmour’s (2009) study of metropolitan Melbourne, Manchester and San Francisco. Figure 4 charts the stock holding of the 13 largest community housing providers in these city regions. The information in the Figure is prior to recent growth in size of a number of the Victorian housing providers.

From Figure 4, community housing providers are considerably smaller in Melbourne than San Francisco or Manchester. In part this is explained by Melbourne’s providers managing only 0.6% of total housing in the city, compared to 2.4% in San Francisco and 12.8% in Manchester. However, even the large Melbourne providers are small in contrast to medium sized providers in the other cities.

One important feature from Figure 4 is the continuing existence of medium sized providers, even in what might be thought of as countries with ‘mature’ community housing sectors such as England and the US. As shown in Table 7, medium sized organisations - managing on average 3,700 properties - hold the greatest proportion of English community housing stock.

**Figure 4: Stockholdings in three city regions, 2008**

Source: Gilmour (2009) p.184. The figure shows the 13 largest community housing providers, (ranked from largest (left) to smallest (right). Stock holdings are within the city region, not total stock held.
3.3 Collaboration Approaches

Smaller community housing providers may choose to work more closely with other organisations. This could involve sharing services or premises, for example. Alternatively they may benefit from specialised skills possessed by the other organisation. Collaboration could be with other community housing providers, or with other related organisations such as social service groups.

For medium sized housing providers, the impetus for collaboration could be to achieve economies of scale through ‘horizontal integration’ - acquiring or sharing services with similar organisations operating at the same level of the value chain. This approach often involves two tenancy managing organisations coming together to help save costs.

There different possible approaches to collaboration are shown in Table 8. Providers could merge, enter a group structure or work in a looser partnership arrangement. Note that when the term ‘merger’ is used, the power relationship between the two organisations could make it more like a ‘takeover’.

Collaboration approaches are on a spectrum of risk and return. Mergers involve a high degree of integration between the organisations, potentially delivering large savings but with a greater risk of dissatisfaction from existing directors, senior staff and tenants. In contrast, partnerships may deliver lower cost savings but are generally low risk as existing power and control systems remain in place.

For community housing organisations, mergers and group structures are thought to bring the following three types of benefit:

- Increasing capacity by allowing employment of more professional or specialist staff than would be possible by a single organisation, for example property development staff (van Bortel et al., 2010).

- Mergers might achieve cost savings, for example reducing the numbers of chief executives. Housing Choices Australia (2008) cited reducing costs as the second reason for their recent mergers, behind building organisational capacity.

- The acquired business may bring new and complementary expertise. The providers merging in 2003 to form Melbourne Affordable Housing brought together tenancy management and project development skills (see 7).

Research by Davies et al. (2006) in England highlighted that housing providers do not always strategically choose the collaboration approach that best suits their requirements. Arrangements tend to be entered into on an ad hoc basis. The main driver for collaboration is often business growth, which increases the prestige of the chief executive, rather than improved efficiency or better quality service.

The researchers found merger efficiency gains more modest than expected due to lack of geographical overlap, unwillingness to reduce staff numbers to the full extent possible and failure to set clear target savings.
Mergers between Australian housing providers have been significant in re-structuring the sector. For example in NSW, over the last five years 20 providers – some 45% of the sector – have merged or are in the process of merging. This is said to have been driven in NSW more by a desire to increase capacity, particularly on the part of the smaller organisation. Regulation is said to be less of a factor (NSWFHA, 2010).

In Victoria, an example of how mergers led to the formation and expansion of Housing Choices Australia (HCA) is shown in Box 6. For HCA, the trust arrangements of several of the constituent organisations has limited the amount of streamlining and costs efficiency that can be achieved by the new combined group. Despite this, HCA have built an organisation with higher capacity than would have been possible without the use of mergers.

Victoria has a regulatory system requiring housing providers to pass rigorous assessment tests. The process is sufficiently complicated that an estimated three quarters of smaller providers decided not to register, preferring to hand their leased properties back to the state or to partner with a larger housing group (CHFV, 2010). This was an explicit goal of the strategy behind regulation (Gilmour, 2009).

Table 8: Collaboration typology

<table>
<thead>
<tr>
<th>Approach</th>
<th>Description</th>
<th>Benefits</th>
<th>Drawbacks</th>
</tr>
</thead>
</table>
| Merger   | Full integration of providers into one legal entity with common brand and single head office. | • Cheaper and simpler than a group structure  
• Finance can be better integrated/cheaper  
• Works well if serve similar area or client groups | • Cultural changes and full integration may be slow  
• Possibly perceived as a hostile take-over  
• Existing directors/CEOs may lose their roles |
| Group    | Common ownership by parent company of various providers which may retain brands and/or local boards. Probably some central shared services. | • Preserves local links to organisations names  
• Can act as gentle step towards future merger  
• Easier to attract new members to group | • Conflict potential between parent and members  
• Problems if members have opt-out clause  
• May be bureaucratic and costs not reduced |
| Partnership | Joint goods/services procurement, partnering for new development, shared back office services, collective provision of community services. | • Benefits of cost savings through scale  
• Retention of operational autonomy and brand  
• Can test the water for closer collaboration | • Can create complexity in managing relationships  
• Tensions develop from unequal partnerships  
• Harder to encourage strategic directions |


- Australian case studies

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Box 5: Fund raising collaboration

Bega Eco Neighbourhood Developers (BEND) were formed as a cooperative in 2002 to promote environmentally and socially sustainable housing in the far south of NSW. One third of housing is to be devoted to non-profit rental housing. Council approval for the scheme was agreed in 2005, though progress was slow in obtaining development finance.

In 2008 an agreement was reached with Community Housing Limited (CHL), a national non-profit housing provider based in Melbourne. Ten low-cost rental homes are currently being built by CHL and managed by a tenant cooperative group. Finance came from contributions from BEND from plot sales, National Rental Affordability Scheme (NRAS) incentives and fundraising in the community.

Tenants are carefully selected by BEND based both on housing need and their enthusiasm for helping manage their own community. BEND are not required to take tenants from the Housing NSW waiting list.

Source: Gilmour (2010).

Other forms of collaboration than mergers have been used by Australian housing providers:

- Blue CHP is a centralised not-for-profit property developer producing units that are managed by mainstream community housing providers (Box 2).
- A small cooperative housing provider in Bega Valley NSW has partnered with a large national group to develop affordable housing using NRAS finance (Box 5).

- US case studies

Collaboration of all three types in Table 8 is less common in the US than England or Australia (Gilmour, 2009). However, although there are few US examples of mergers and group structures, joint working is relatively common.

Development partnerships are important for US community Housing providers. Joint working on project development is an important way of building capacity through transferring knowledge from a more experienced to a less experienced housing organisation.
In the mid 1980s, housing research and advocacy group Ecumenical Housing was founded by the Victorian Council of Churches, a non-denominational Christian faith organisation. By the 1990s Ecumenical coordinated joint ventures between the state of Victoria, and local churches who normally donated land/buildings for low-cost housing. Property title was held centrally through Ecumenical Housing Trust, who in addition developed a portfolio of 118 units by 2003.

Inner City Social Housing was established in 2000 by the City of Melbourne to protect low cost housing in gentrifying central city areas. Inner City's experience in tenancy and property management proved complementary to Ecumenical Housing's project development skills when they amalgamated in 2003 to become Melbourne Affordable Housing. The merger was driven by both the strategic need to achieve economies of scale to compete for Victorian Government funding which was being restricted to growth providers, and the operational problem of persistent trading deficits at Ecumenical. The merged organisation brought together two different organisational cultures:

Inner City were a little bit more pragmatic [than Ecumenical] in terms of making sure that there was going to be some money there, rather than committing to projects that were good projects with social outcomes but not such good projects for the organisation ... there's a certain difference in psychological approach I guess (Interviewee: former director, MAH).

The 2003 merger increased scale, but was not straightforward. Most group directors came from Inner City not Ecumenical, and were chosen for their skills not church allegiance. This was a signifier of a more commercial approach to affordable housing provision. However, the goal of achieving a streamlined organisation through merger was partly frustrated by the need to maintain two separate trusts for properties inherited from the predecessor organisations. As an executive commented during an interview in 2008, ‘a complex structure for a little organisation’.

A further amalgamation took place in 2009 with Melbourne Affordable Housing joining the Housing Choices Australia (HCA) group. HCA was itself formed by a merger in 2007 of three disability housing associations as ‘in order to grow and make a material contribution to the under-supply of housing, especially for people with a disability - capacity and capability could only be achieved through joining together and operating at scale’ (HCA, 2008: p.6).

HCA now operate a group ‘shared servicemodel providing management and administrative support across all organisations’ (HCA, 2009: p.6). Business is conducted through four operating companies, two registered as Victorian housing associations, and four trusts. All eight legal entities produce their own financial accounts, though have common directors.

If the HCA group has yet to achieve full efficiencies in operating structure, it benefits from economies of scale. Fifty staff are employed, including specialised roles such as Chief Operating Officer, Chief Finance Officer, Compliance Manager and In-House Counsel. HCA also maintain a four person business development team, and a ten person property development unit. These would not be possible for a smaller provider.

As an example of knowledge transfer, in the 1980s East Bay Asian Local Development Corporation (EBALDC) partnered with Bridge Housing on their first major residential scheme. The US$17 million Frank G Mar project with 119 units and 1,200 square metres of shops and community facilities, would have been too large for a fledgling not-for-profit such as EBALDC. In 1984, when the project was planned, EBALDC had only developed 151 units over 9 years. By comparison, Bridge Housing had built 2,792 homes in two years (Gilmour, 2009).

The partnership allowed EBALDC to gain experience in development, and subsequently undertook schemes without needing a joint venture partner. For Bridge Housing, the Oakland scheme leveraged off EBALDC’s close relationship with the city council to secure access to a valuable, high profile project.

Illustrating the modest number of US mergers, in the San Francisco Bay Area - home to a vibrant community housing sector - only one provider followed this approach over the last decade. That was Mercy Housing, a Catholic church organisation – see Box 7.

### - English case studies

Mergers and group structures have been a significant factor in the consolidation of England’s housing association sector over the last decade. A modest number of ‘super groups’ grew through merger, increasing their share of social housing stock (Mullins & Craig, 2005).

High profile merger transactions attracted the attention of policy makers and tenant advocates. Critics complained of the newly enlarged organisations losing touch with the communities in which they operate, focusing more on finances and branding than tenants. Supporters pointed to economies of scale and greater innovation in services offered.

The pace of mergers in England has slowing, possibly due to disenchantment with lack of clear benefits. The move in 2008 to focus regulation on tenant benefits, and the fall-out from the global financial crisis have also had an impact (Levenson, 2009). With the new approach of the regulator in having a ‘single conversation’ with local authorities, partnership working may increase in England – see Box 9.

**Box 7: Problematic US merger example**

In 2000, Mercy Housing merged with Sacramento-based Rural California Housing Corporation to acquire their knowledge of self-build housing. This more than doubled the size of the Mercy group, although it led also to control problems and spiralling costs: “they’ve had their challenges and they’ve had to pull back in some markets. They got over-extended” (quoted in Gilmour, 2009). Action was taken through redundancies, and by centralising head office functions such as finance with other Catholic housing agencies in Colorado.

Collaborative working gave Mercy Housing scale economies, allowing it to undertake larger projects, and increase development and finance capacity. Through acquisition, they gained knowledge of a new business segment, becoming the US’s largest self-build affordable developer. However, the example highlights the risks with mergers if the process is not carefully managed.

Source: Gilmour (2009).
Box 8: The end of mergers?

‘There is a view that mergers are passé, yesterday’s issue. Many of these groups are now re-working themselves. They found they’re too big, too cumbersome, can’t actually provide proper governance and accountability structures, and actually have gone too far. They’re now breaking up the groups ... or arriving at different structures ... and the move going forward, recognising that grants are going to go to local authorities, builders, housing associations is about partnership working with a variety of other bodies’.


Research indicates 67% of English providers who have not merged or formed group structures have established partnerships (Davies et al., 2006: p.18). The most common areas for collaboration are investment and development partnering, followed by procurement, alarm services, shared asset management and information technology.

The government’s policy of reducing the number of housing providers able to bid for social housing funds, concentrating development into a smaller number of higher-capacity housing associations, has led to the growth of development partnerships over the last decade. These partnerships allow smaller providers to work together to bid for funding in association with a larger housing organisation.

- Do mergers work?

Not all housing providers are successful in achieving their objectives, and in some cases the process can nearly lead to organisational failure, as shown with Mercy Housing – Box 7.

In a recent review of mergers in England and the Netherlands, researchers concluded:

- Larger, merged providers are capable of producing more new homes and are better at partnering with other stakeholders than smaller housing providers;
- Smaller providers who have not merged are generally more effective at service delivery and involving tenants in the organisation;
- Successful mergers require a good cultural fit between the two organisations.

The researchers’ main empirical conclusion is that the relationship between the size of housing associations and their performance is far from straightforward ... these findings clearly complicate judgements on whether the process of increasing scale and industry concentration through merger is a change for the better” (van Bortel et al., 2010: p.371).
3.4 Supporting Smaller Providers

This section provides examples of specific support targeted more specifically at neighbourhood community housing providers.

- Peak bodies

The structure and approach of peak bodies varies between countries:

- In Australia, state/territory based peak bodies and the national policy group CHFA work for the interests of both small and large housing providers. A separate national trade association founded in 2006, PowerHousing Australia, work on behalf of many of the larger providers.

- In the US, trade associations are generally locally or regionally based and work for all housing groups regardless of size. A national peer network – the Housing Partnership Network – represents 97 of the larger providers (Gilmour, 2009).

- In England, the National Housing Federation (NHF) is a single trade association for housing providers regardless of size. In London it has established a group catering specifically for the needs of smaller providers – the G320 (Box 9).

**Box 9: G320 support organisation**

The G320 is a group representing the interests of smaller London housing associations, each managing fewer than 1,000 homes. They organisation is funded and coordinated by the NHF. Of the 320 London NHF members with under 1,000 homes, 58 have joined the G320. The organisation arranges member meetings, to network and share information.

From their website, the G320 are 'a diverse and successful mix of housing associations, many locally focused, many delivering specialist services. These include housing associations which focus on black and minority ethnic communities, people with support needs, key workers, students or older people and which come in many shapes, including housing co-ops, almshouses and trusts. We have many success stories to tell and continue to play a strong part in developing housing solutions for our capital'.

Source: G320 (2010).

Beyond the work of the G320, which only serves London, the NHF also:

- Produces publications catering specifically to the needs of smaller providers (see, for example: NHF, 2009);

- Arranges an annual ‘Smaller housing associations’ conference and exhibition’;

- Charges lower membership fees for smaller rather than large housing providers.
In the US, smaller housing providers do not receive special treatment from their trade associations. However, they are probably more likely to receive philanthropic donations, including funding aimed specifically at capacity building. In some cities smaller groups catering for high-needs groups receive specific grants. For example, San Francisco awarded a grant to Tenderloin Neighbourhood Development Corporation for their work on homelessness.

- Regulation concessions

England’s housing regulator, the Tenant Services Authority, has introduced self-regulation for smaller housing providers:

- Providers with fewer than 25 properties do not need to produce an annual report;

- Providers with between 25 and 1,000 properties must produce an annual report for tenants but do not need to send it to the regulator, except if requested;

- The regulator does not have the power to make regulatory judgements if a provider has fewer than 1,000 properties. The only return required to be submitted is a shortened data collection form.

The English regulator recently advised their providers they had ‘modified our requirements for small providers regarding annual reports, to free you from administrative burdens, so that you can focus on delivering high-quality services to tenants’ (TSA, 2010b: p.2).
4 Sector consultation

This section of the report details the findings of:

- CHFA’s consultation with neighbourhood providers;
- CHFA followed the following consultation process.

Step 1: Positioning Paper circulated

The Positioning Paper *Community Futures – New Opportunities for Neighbourhood Housing Providers* was circulated to neighbourhood providers nationally via email in October 2010.

Step 2: National consultation workshop

This workshop was held in Brisbane in November 2010. Neighbourhood providers and network organisations representing neighbourhood providers were invited to attend. As detailed at section 2, the selection of organisations was not random. CHFA, in consultation with its members, considered its national membership and carefully selected invitees based on a number of criteria. These included:

- Organisations representative of providers of their size;
- Organisations representative of diverse and niche providers;
- State and territory network organisations representing neighbourhood providers.

The workshop was attended by 21 representatives of neighbourhood housing providers. While this may seem a small gathering given that neighbourhood providers nationwide number in the hundreds, this group size made in-depth discussion possible. As noted above, these participants were selected based on their depth of knowledge, or specific qualities of their organisations.

Included in the workshop were representatives of state and territory networked support organisations and as such had a strong understanding of issues for the neighbourhood providers among their membership. They were able to share information about challenges and strategies employed by a diverse array of neighbourhood providers in the jurisdictions where they work.

Half of the networked support organisation representatives were also key staff of neighbourhood providers.

The workshop was facilitated by Tony Gilmour with support from the CHFA secretariat.

Step 3: Semi-structured interviews

As detailed in the initial methodology, these interviews were conducted with key staff of neighbourhood providers and networked support organisations. The purpose was to fill information gaps remaining after the national workshop.

Four semi-structured interviews were necessary, and these were conducted by telephone in March 2011. These were with key staff of one Indigenous community housing organisation working in a regional and rural context; two state networked
support organisations; and one provider of disability housing. The interviews were designed to highlight specific examples of provider-led innovations for viability.

- **Representation of diverse providers**

The consultation process succeeded in gathering information from neighbourhood providers across all states and territories, including through liaison with networked support organisations.

Both small and medium neighbourhood housing providers were represented. A range of neighbourhood providers serving niche resident groups were consulted. These included disability housing organisations, those providing supported housing for people exiting homelessness, and housing to Indigenous communities. Church housing providers, medium sized providers and very small co-operatives were represented.

The consultation process on in-depth discussions with providers rather than a broad survey approach. The themes and findings discussed below are key issues for all neighbourhood providers regardless of their specific tenant groups.
5 Discussion

This section sets out key themes and findings emerging from the consultation process. These reflect the perspectives and experiences of neighbourhood providers and networked support organisations.

5.1 Strengths of neighbourhood providers

The consultation process identified a number of strengths of neighbourhood providers.

- Personalised tenant support

The small scale at which many neighbourhood providers operate allows for personalised tenant services. Tenants are able to access managers and decision makers directly and readily. Neighbourhood providers are likely to have personal relationships with tenants. They can often make available highly specialised and flexible forms of support that larger and generalist providers find difficult.

This contributes to tenant satisfaction and assists in sustaining tenancies, particularly for tenants with complex or specific needs. Having a close connection with tenants assists these providers to effectively manage challenging aspects of property management such as collection of arrears.

Smaller organisations report that they are able to directly involve tenants in management roles, providing a sense of ownership and community. This may be especially prevalent where tenants have distinct characteristics.

- Community links

Neighbourhood providers have strong networks in their local communities. These relationships can defuse community opposition to the provision of housing for vulnerable tenants (i.e. combating NIMBYism). As detailed at section 3, such community links also mean that neighbourhood providers are able to draw on the support of skilled and/or enthusiastic volunteers. This provides a cost saving and also an opportunity to involve the wider community in affordable housing provision.

Although an analysis is beyond the scope of this research, this suggests that neighbourhood providers are likely to produce a significant social return on investment. CHFA is currently involved in another project which is looking specifically at the social return on investment into community housing. These findings will contribute to understanding how neighbourhood housing providers engage in this realm, and how they promote social capital.

These community linkages are also strong foundations from which neighbourhood organisations can consider future options for change and growth that preserve the strengths of their present service delivery models.

5.2 Challenges to viability

Challenges to neighbourhood providers’ viability stem from their small scale of operation. Challenges can be caused by the internal dynamics of small organisations, but more pressingly result from a changing regulatory and policy environment.
- Internal organisational challenges

Smaller organisations risk becoming dependent on the contributions of a few individuals. This presents a challenge to organisational sustainability over time.

Small organisations may also become dominated by a small number of people. This can become exclusive, and may not best serve the purposes of the organisation.

Little is known in detail about the financial viability of neighbourhood providers. However as many smaller providers benefit from high levels of volunteer labour it is possible that without such input they would become unviable. Reliance on volunteers may, as suggested in section 3, be a barrier to growth in some instances.

- External factors

Increasingly demanding compliance and regulatory requirements have placed mounting pressure on neighbourhood providers. These pressures include excessive reporting requirements for small staff teams or volunteers; and government requirements regarding reconfiguring their board structures. Indeed, neighbourhood providers identify regulatory disincentives to growth as the most significant challenge to their future viability.

5.3 Aspirations for growth

Most neighbourhood providers aspire to grow. This is as likely to be true for a very small provider as it is for a medium-sized organisation aspiring to become a growth provider. Neighbourhood organisations aspire to grow relative to their size – a very small organisation may plan to expand from 8 to 12 properties for example, to better accommodate specific tenant needs or to take on a small number of new tenants.

As many neighbourhood providers are mission-specific, their plans for growth are likely to depend on the need for growth among their target tenant group. For neighbourhood providers the impetus to grow generally lies in tenant demand rather than a desire to achieve growth for reasons of scale or greater efficiencies.

5.4 Barriers to growth

The barriers to growth identified by providers include:

- Great difficulty accessing finance and negotiating the development process.
- Ineligibility to access growth funding under new compliance and regulatory requirements.

In some jurisdictions access to growth funding is limited to designated growth providers, excluding neighbourhood providers and other housing organisations who do not qualify for this provider category. Limited growth as deemed appropriate by neighbourhood providers is not recognised under most growth funding regimes, excluding small and medium providers from a significant source of growth resources.

Some neighbourhood providers are hesitant to grow because they fear that as they grow, they will lose their niche, and will be forced to compete with larger and more sophisticated generalist providers of community housing.

Other agencies have identified that growth could result in a weakened connection with their tenant group or local community.
The challenge for neighbourhood providers is to achieve their aspirations for growth while preserving their tenant and community connections, and in spite of the challenges outlined above.

Regarding the growth of the neighbourhood housing sector as a whole, it should also be noted that there are few incentives or avenues for the introduction of new entrants to the sector. New organisations in the sector are often drawn from church-based organisations, and are aiming to provide housing at scale, such as MA Housing (Mission Australia).

5.5 Innovations for viability and growth

Neighbourhood providers have employed a range of strategies to respond to a challenging regulatory environment.

- Mergers

There is a continuing trend toward consolidation through merger and amalgamation. Most mergers and amalgamations appear to be between smaller and medium sized providers. This trend is driven by regulatory pressures and a desire to access growth funding.

Smaller organisations may not always enter into mergers strategically. This is particularly true when approached by a larger organisation as small providers may not be fully aware of their options for managing change, and the merger may effectively be a takeover by the larger organisation.

- Partnerships

As detailed in Section 3 a wide range of partnership arrangements are emerging between larger and smaller organisations, and between housing and tenancy support organisations whose work is complementary.

Innovative partnerships have also emerged around specific projects, for instance Foyer housing models that bring together a range of agencies to establish and maintain community housing and support for a tenant group with specific needs (in this case, young people with housing, education and training needs).

- Consortia and umbrella groups

A range of consortia arrangements such as those described in Section 2 (e.g. BlueCHP and common equity models) are innovative responses to the challenges of attracting funders and financiers into partnerships with smaller and neighbourhood providers. Such models reduce the administrative burdens for funding agencies by providing a single organisational point of contact, while producing economies of scale for neighbourhood providers.

- Common equity

Common equity models are a promising approach for smaller organisations seeking to grow without compromising their strengths. They allow neighbourhood providers to retain close links with communities and tenants, and may best preserve a role for volunteerism while providing a structure for professionalisation and growth.

At present this model has proved most attractive to cooperatives in Victoria and NSW, but it is equally suited to other types of organisations. The Common Equity South Australia (CESA) company will include a variety of organisation types as its shareholders (pers. comm.. Ciaran Synnott: 2011).
- Brokerage

There is a role for intermediary organisations that are able to broker capital for smaller organisations. Innovations of this kind are emerging, including affordable housing companies such as the National Housing Company, which will apply for NRAS incentives and then offer property and tenancy management opportunities for a range of community housing organisations.

All partnership models, consortia and umbrella groups will be most effective when the partners share a similar mission or organisational values, and where their roles are complementary and clearly defined.

5.6 Supportive frameworks for viability

- Networked support organisations

Networked support organisations, in particular state and territory community housing peak bodies, have played a valuable role in supporting neighbourhood providers. This has included auspicing common equity models (e.g. Community Housing Council of SA, Federation of Housing Collectives of WA, and Association to Resource Cooperative Housing in NSW), assisting unviable organisations to negotiate mergers with larger organisations, and providing information about trends and issues for neighbourhood providers.

- Supportive regulatory frameworks

Mounting compliance requirements increase the cost and time burdens for small organisations. The lack of sufficient resources to meet these regulatory obligations hampers the capacity of smaller housing organisations to adequately meet the terms of their compliance requirements and reporting commitments. A regulatory system that gears its requirements to the appropriate risk profile of smaller organisations will avoid creating excessive burdens on these providers.

- Collaborative models

One attraction of the collaborative models described above is that they produce efficiencies that make compliance more cost and time effective for smaller agencies.

In some jurisdictions, smaller organisations have increasingly found themselves in competition for funds. This has been a disincentive to the kinds of collaborative innovation that will support the continued viability and the growth of high quality neighbourhood housing. Funding agencies have a role to play in encouraging innovative and collaborative models. Recommendations for action in this area are detailed at 6, below.
Neighbourhood providers in brief

Neighbourhood providers are diverse and are a vibrant component of the community housing sector.

They manage property portfolios ranging from the very small to approximately 250 properties.

Their particular strength is the provision of specialised and personalised service to groups with particular needs as tenants.

They succeed in delivering quality services in harder to reach areas including rural and regional locations.

Most neighbourhood providers aspire to grow, in order to best meet the needs of their tenants and the communities where they work.

International comparisons demonstrate that a mix of business models including small and large providers produces strong, responsive organisations and positive tenant outcomes.

Neighbourhood providers are finding innovative solutions to questions of growth and viability. These often involve partnership and collaboration.

There will be an ongoing need for neighbourhood providers in an expanding community housing sector.

Innovations in regulation and organisational structure can support this role effectively.

All levels of government, networked support organisations and larger community housing organisations have an interest in supporting small providers, and there is action they can take such as sharing information and brokering collaboration.

Increasing regulatory and compliance pressures threaten their viability.

The focus on a normative ‘ideal size’ of growth provider limits opportunities for these organisations.
6 Recommendations

These recommendations relate to action that can be taken by government agencies, networked support agencies and other organisations with an interest in building a viable and diverse neighbourhood community housing sector.

6.1 Networked support organisations

Networked support organisations can undertake a range of useful actions. These include:

- Brokering relationships

Networked support organisations can broker the development of partnerships. This may mean, for instance, working with several small organisations to consolidate their back office functions, or helping two organisations agree on a fair and workable amalgamation, merger or contractual partnership agreement supported by a memorandum of understanding.

- Brokering services

Networked organisations can assist neighbourhood providers to achieve economies of scale by acting as brokers of services for a group of providers. This relates particularly to procurement, for instance, of services such as information technology or insurance.

The aim of brokerage is to help small organisations achieve scale without necessitating merger or amalgamation unless these are appropriate options.

Mergers tend to jeopardise the strengths of neighbourhood service provision - strong community links, a spirit of volunteerism, organisational autonomy and an in-depth awareness of client needs.

In acting as brokers, networked support organisations must take care to support innovative collaboration and broker agreements while not mistaking their role for one of service provision.

- Sharing information

Networked support organisations can provide a range of information services to neighbourhood providers. This includes creating opportunities for discussion of topics and issues unique to neighbourhood providers, i.e. a neighbourhood providers’ forum.

- Advice and assistance

Networked organisations can provide information and assistance to neighbourhood organisations. This includes:

- Assisting with funding tenders and the consolidation of tender proposals;
- Providing case-by-case advice about options for merger, amalgamation, partnership and collaboration strategies;
- Providing general information about options for organisational change, development and growth, e.g. how to approach financial institutions;
- Providing template documents and/or ‘how to’ modules for organisations considering collaboration strategies such as developing a common equity consortium; and,
- Providing information, advice and/or
- Involving Boards

Networked support organisations and key staff of neighbourhood providers have a role to play in making sure the Boards of neighbourhood organisations understand the broader context in which they operate. Board members of many neighbourhood housing providers are drawn from the community that the organisation operates in, and do not necessarily have a broader understanding of the housing industry and national housing agenda, e.g. the role of the Commonwealth in formulating housing policy and funding the National Affordable Housing Agreement. Boards that are equipped with an understanding of this broader context will likely be better directors, and will have an enhanced capacity to plan strategically.

- Building collaborations

Networked support organisations may also play a role in creating opportunities for larger organisations to assist smaller organisations. This may be by providing opportunities for the staff of larger organisations to participate on the Boards of smaller organisations, or by assisting in the creation of formal arrangements whereby larger organisations can support smaller organisations through the provision of contracted services.

Clear policies for preventing conflicts of interest for board members who are also staff of large organisations would need to be in place in this circumstance.

- Jurisdictional variations

The specific kinds of support and resources that networked state and territory organisations should provide will vary between jurisdictions.

Collaborative models are being implemented in slightly different ways in different states and territories and it is important that networked organisations are abreast of developments nationally. For example, the common equity model in NSW was developed using a ‘top down’ approach, whereas the CESA model has been driven largely from the ground up, and will include a range of neighbourhood housing providers as members, not just cooperatives.

CHFA, as the national peak body, can encourage cross-jurisdictional communication, comparison and learning.

- Advocacy

Networked support organisations also have a role to play in balancing small organisations’ lack of direct access to government, through their advocacy and information sharing roles.

6.2 State, Territory and Federal government

- Supporting collaboration and innovation

State government agencies’ financial support for the roll-out of common equity models could be provided through state and territory network support organisations.

Government agencies may also support the establishment of new structures, such as umbrella organisations vehicles, whose specific function will be to provide development capacity through back office support and the aggregation of resources.

Support for such innovations will help to deliver economies of scale, and allow smaller
organisations to access larger investment opportunities, such as stock transfer, growth funds, and NRAS.

- Appropriate compliance regimes

A national regulatory system must be designed to ensure regulatory requirements do not threaten the viability of neighbourhood housing providers, many of whom have concerns about the complexity of existing compliance requirements.

Government agencies have an opportunity to work with the sector to ensure regulation requirements:

- Reflect organisations’ activities and risk profile;
- Minimise compliance regimes appropriately for low risk organisations;
- Adopt a tiered system in recognition of risk profiles.

Where possible, contractual overlap should be streamlined. For example, there are currently a number of different data collection regimes required by both Commonwealth and state and territory governments.

- Articulating a role for neighbourhood providers

Government agencies can articulate the value of a diverse sector and the varied contributions of neighbourhood housing providers, which include providing support for particular tenant populations, place-based approaches to housing provision, work in regional communities, and the volunteer labour of many people active in neighbourhood housing providers.

Understanding the role of smaller providers makes it more likely that neighbourhood providers will figure more prominently in government policy development and national housing strategy discussions.

6.3 Local government

Local government can play an effective role in supporting the provision of affordable community housing. There are examples of local government working very effectively with neighbourhood providers in their local government areas. The City of Port Phillip and Yarra City Council, both in Melbourne, are both proactive in supporting and engaging with neighbourhood housing providers. Local government and network support agencies have an opportunity shared and replicate these best practice examples with other local governments and within the membership of the networked support organisations.

Local government can also encourage co-location of services for neighbourhood housing providers, supporting cost effective service delivery.

6.4 Neighbourhood providers

Neighbourhood providers should understand the wider regulatory environment in which they operate. In a changing and expanding sector, neighbourhood providers need to be strategic in engaging with new opportunities and responding to new challenges. Neighbourhood providers may wish to actively seek out partnerships and collaborations that reduce compliance demands while freeing them to focus on service provision. Growth may not occur if neighbourhood providers do not strategically plan how they will grow in collaboration with other organisations.
Organisations that do not review their viability may find that they are no longer viable owing to changing expectations and demands on small to medium providers.

6.5 The research base

Although the focus for providers, government and network support organisations must be on practical support for a diverse community housing sector; there is a need to build the research base through ongoing critical evaluation of changes to the neighbourhood provision of housing.

There is also a need for further research into tenant outcomes across different housing types. The emphasis should be on the outcomes for different tenant groups across a range of providers, including Indigenous Community Housing Organisations.
References


TSA (2010b) *RASA news. Issue 1, August 2010*. London: TSA.