



**TOWARDS A  
COMMON EQUITY HOUSING MODEL  
FOR VOLUNTEER-RUN  
HOUSING ASSOCIATIONS  
AND  
HOUSING CO-OPERATIVES  
IN SOUTH AUSTRALIA**

**ROLES AND FUNCTIONS  
OF THE PROPOSED BODY:**

**A CONSULTATION PAPER**

**MARCH 2008**

## **1. Introduction**

In August 2007, the Community Housing Council of SA Inc (CHCSA) held a seminar for volunteer-run Housing Associations and Housing Co-operatives. The seminar was addressed by Mr John McInerney and Ms Carol Fountain from Common Equity Housing Ltd (CEHL) in Melbourne, the Program Manager for the Victorian Housing Co-operatives program. Those present at the seminar endorsed further work being undertaken on the development of a similar management model for volunteer-run Housing Associations and Housing Co-operatives in South Australia. The model is intended to address serious concerns about the long-term future and operational viability of these organisations by putting in place new structures and arrangements.

A reference group was established by CHCSA and from this a working group consisting of representatives from volunteer-run Housing Associations and Housing Co-operatives, Office for Community Housing (OCH) and the CHCSA was formed. The working party has endorsed the development of a Role and Function Statement for the proposed South Australian Common Equity Body along with initial work on a funding model.

This paper is a first attempt to describe the roles and functions of a South Australian Common Equity Body. It also includes some initial thoughts on incentives for Housing Associations and Housing Co-operatives to join the new body and some suggestions for a transition process. **It is a consultation document – no decisions have been made.**

It is expected that the new organisation will be constituted either as a limited company, an incorporated Association or a Co-operative; and will be managed by a Board, combining skills-based and representative positions.

There has been some discussion of whether there need to be separate common equity bodies for Housing Associations and Housing Co-operatives. In our view, this would not be a viable option for South Australia.

A diagram of proposed new arrangements forms an attachment to this paper.

## **2. Working Title**

For the sake of convenience, the term ‘Common Equity Housing SA’ (CEHSA) will be used to describe the proposed Common Equity Body for South Australia. This should be seen as nothing more than a convenient working title which is likely to change in the event that a body is established.

## **3. Role**

The role of Common Equity Housing SA is to be the program manager for a proposed South Australian common equity housing program.

Specifically this entails the following roles:

- Enable democratic participation by member organisations in the affairs of the Common Equity Body;
- Own properties on behalf of participating Housing Associations and Housing Co-operatives;
- Ensure the efficient management of those properties;
- Grow the program by attracting government and non-government resources;
- Assist participating Housing Associations and Housing Co-operatives to manage their affairs efficiently and effectively; and
- Ensure accountability to government and the community.

It is envisaged that Common Equity Housing SA will have a critical role in stabilising and strengthening the small volunteer-run community housing sector in South Australia. It will provide a stronger framework within which the sector can operate as well as offering new opportunities for support and, hopefully, growth.

#### **4. Functions**

The specific functions envisaged for Common Equity Housing SA are as follows:

- To assume ownership of properties currently owned by Housing Associations and Housing Co-operatives which opt to join Common Equity Housing SA
- To lease such properties back to participating Housing Associations and Housing Co-operatives who in turn will sub-lease to members (for Co-operatives) or tenants (for Associations)
- To enter into a funding agreement with the Department for Families and Communities (DFC)
- To conduct asset planning for all participating Housing Associations and Housing Co-operatives
- To assume responsibility for asset management (except in regard to 'minor maintenance') for participating Housing Associations and Housing Co-operatives which do not belong to Comhouse
- To offer administrative services to participating Housing Associations and Housing Co-operatives
- To provide community development and related support services to participating Housing Associations and Housing Co-operatives
- To raise capital either as grants, loans or other resources for the purpose of growing the common equity program
- To undertake property development on behalf of participating Housing Associations and Housing Co-operatives
- To provide an option for temporary direct tenancy and property management of both individual properties and whole organisations, when it appears that these functions cannot be carried by the organisation itself, similar to the Vic-Wide service offered by Common Equity Housing Ltd in Victoria.

#### **5. What Will Change for Participating Housing Associations and Housing Co-operatives?**

Member organisations will continue to operate as independent, democratic organisations under their own rules and by-laws, and will continue to manage functions such as:

- Tenant selection
- Tenancy management
- Responsive/minor maintenance
- Budgets, audits and financial reporting.

Groups will continue to have their own office-bearers, regular meetings and AGMs. Housing Associations and Housing Co-operatives participating in Common Equity Housing SA will continue to function as landlords and will be subject to the Residential Tenancies Act.

If you are a Housing Co-operative now, you will still be a Housing Co-operative under the new arrangements. If you are a Housing Association now, you will still be a Housing Association under the new arrangements.

The relationship between tenants and Housing Associations and between Co-op members and Housing Co-operatives, will undergo little change. Tenants will continue to pay rent to their Housing Association or Housing Co-operative. Existing tenancy agreements can remain in place.

There is no plan to change rent structures for tenants, although under growth scenarios the issue of attracting maximum Commonwealth Rent Assistance (as is done in Victoria) may need to be discussed.

Participating Housing Associations and Housing Co-operatives will no longer pay capital contributions/allowances to OCH – instead they will pay a percentage of their rental income to Common Equity Housing SA. The level of this percentage will be set once the business model for Common Equity Housing SA is determined.

Some infrastructure services will be sourced elsewhere eg CHCSA will continue to provide representation, information and advocacy services; DFC will continue to provide learning and development services and insurance cover. Appeals to the Housing Appeal Panel (HAP) will still exist, although the law might need to be changed to permit participating groups to appeal against decisions of Common Equity Housing SA.

## **6. Relationship between Common Equity Housing SA and Participating Housing Associations and Housing Co-operatives**

A close working relationship with participating Housing Associations and Housing Co-operatives will need to be developed, based on trust and partnership principles. Participating Housing Associations and Housing Co-operatives will be the members of and shareholders in Common Equity Housing SA and will elect some of the Board members. Consultative mechanisms will need to be established.

There will be leases between Common Equity Housing SA and participating Housing Associations and Housing Co-operatives. Common Equity Housing SA will be the landlord in respect of participating Housing Associations and Housing Co-operatives. The participating Housing Associations and Housing Co-operatives will be known as head-tenants of Common Equity Housing SA, and they then sub-let to their own tenants.

Common Equity Housing SA will have responsibility for regulating participating Housing Associations and Housing Co-operatives to the extent that this is required under the terms of its leases with them.

Participating Housing Associations and Housing Co-operatives will report primarily to Common Equity Housing SA, which in turn will report on the whole Program to the Department for Families and Communities.

It is not expected, once a group joins Common Equity Housing SA, that they will be able to withdraw.

## **7. Relationship with Department for Families and Communities**

Participating Housing Associations and Housing Co-operatives will continue to be registered under the SACCH Act and will be subject to regulation, investigation and intervention by Office for Community Housing in the appropriate circumstances. They will also be subject to the external appeals process through the Housing Appeal Panel.

It is possible that existing debentures and Funding Agreements between participating Housing Associations and Housing Co-operatives and DFC would be discharged and replaced by agreements between DFC and Common Equity Housing SA and leases between Common Equity Housing SA and participating groups.

Common Equity Housing SA will have a Funding/Service Agreement with DFC which will specify the terms and conditions under which it operates. There will be some sort of charge over properties owned by Common Equity Housing SA – either a Floating Charge like Common Equity Housing Ltd in Victoria has or possibly a statutory charge under the SACCH Act. This depends on whether Common Equity Housing SA is registered under the SACCH Act.

Possibly the relationship with DFC may not be under the SACCH Act but under the affordable housing provisions of the SA Housing Trust Act. If the Not-for-Profit Housing Providers program is approved by the South Australian Government, then Common Equity Housing SA may seek to participate in that Program but would have to satisfy Government requirements before being admitted.

## **8. Property Ownership**

Traditionally, Housing Associations and Housing Co-operatives in South Australia have held titles to their properties, albeit subject to the SACCH Act, statutory charge, debenture and Funding Agreement.

Under the common equity model, participating Housing Associations and Housing Co-operatives will be required to transfer ownership of properties to Common Equity Housing SA.

This is likely to be an emotional wrench for many participants. However, from discussions with members of Housing Co-operatives in Victoria, it appears that there is still a very strong sense of ownership and program participation among Victorian Housing Co-ops.

The common equity model will actually move control of titles closer to the non-government sector, with government at arms length.

Hopefully, with incentives and the right program structures, this change will not prove too big a stumbling block once the benefits are understood.

## **9. Asset Management and Asset Planning**

Little change is likely to occur in regard to what has traditionally been known as ‘minor maintenance’. Participating Housing Associations and Housing Co-operatives will retain a proportion of rental income to cover these costs and will be able to organise the work for themselves as they do at present.

The challenge in regard to asset management for ‘major maintenance’ is that South Australia already has arrangements in place. Many Housing Associations and Housing Co-operatives belong to Comhouse. The Asset Services Division of DFC also carries out significant roles in asset management.

There are three roles to be carried out : management of a major maintenance fund; planning of long-term asset management; organising and carrying out needed work.

There are a number of options for carrying out these roles:

**Option 1:** Common Equity Housing SA pays a major maintenance levy to Comhouse on behalf of groups which are already Comhouse members. Current one-to-one contracts between groups and Comhouse are terminated and there is a new three-way contract between the group, Comhouse and Common Equity Housing SA. Other groups stay out of Comhouse and Common Equity Housing SA is responsible for planning and organising their major maintenance including management of a Major Maintenance Fund.

This would be the simplest arrangement with the least disruption but would involve duplication of roles between Comhouse and Common Equity Housing SA.

**Option 2:** Common Equity Housing SA releases participating groups from Comhouse and manages the Major Maintenance Fund, and plans and implements the major maintenance for the whole Program.

This option would be 'cleaner' but would be costly as existing funds would have to be sacrificed unless Comhouse was willing to come to an arrangement.

**Option 3:** All groups are required to join Comhouse and Common Equity Housing SA pays the major maintenance levies to Comhouse. Common Equity Housing SA could still have a role in planning major maintenance but Comhouse would arrange for work to be done.

This option would also be 'clean' but would be unattractive to groups which have so far opted to stay out of Comhouse.

**Option 4:** Common Equity Housing SA contracts Comhouse to carry out major maintenance functions for groups which are not Comhouse members.

This option would minimise duplication while not committing non-Comhouse groups to membership of Comhouse.

It is suggested that this issue should be the subject of discussions with Comhouse and the Department for Families and Communities.

Another issue is that participating groups which are not members of Comhouse would probably need to transfer their major maintenance reserve funds to Common Equity Housing SA when joining up. Again this stresses the need for the new arrangement to deliver tangible benefits to Housing Associations and Housing Co-operatives so that they are willing to take such a significant step.

One related issue is whether major maintenance funds held by Common Equity Housing SA would be 'pooled' or not pooled. In a pooled model, like Comhouse, groups would not have an individually identifiable account. Common Equity Housing SA would hold a proportion of (non-Comhouse) member's contributions within one long-term maintenance fund. This would have the advantage that what they need to draw down is not dependent on having a sufficient balance in their account at any given point in time. What can be achieved would depend on the aggregate balance of funds, set against planned expenditure. The issue of a 'no-drawn-down' period would need to be resolved.

In the alternate model, each group would have an identifiable account with a balance which rises and falls according to income and major maintenance expenses. Asset management planning would then reflect a need to keep each member's maintenance fund 'ahead' of liabilities. If a group exhausts its funds it would need to find other ways to fund major maintenance eg by borrowing or by selling properties.

It would seem logical that the planning of asset management, as opposed to the implementation, should be centralised under Common Equity Housing SA because Common Equity Housing SA will be the property owner and have legal responsibility for ensuring that properties are properly maintained, in conjunction with the participating Housing Associations and Housing Co-operatives.

## **10. Administrative Services**

It is intended that Common Equity Housing SA will offer administrative services to participating groups. Administrative services includes bookkeeping and rent collection.

The aim is to support participating Housing Associations and Housing Co-operatives in these essential tasks so that they can focus on their key objectives and purposes ie their social and community functions.

Groups will still have their own Treasurers, and finance committees if required, and will still be responsible for overall financial management, setting and monitoring budgets as they do now.

The critical issues are:

- Should all groups which join Common Equity Housing SA be required to accept administrative services from it, regardless of current arrangements?
- Should the cost be included in the rental arrangement or should costs be fully or partly recovered on a fee-for-service basis?

It is possible these services could be outsourced by Common Equity Housing SA to a service provider.

A further perspective on this issue is discussed in Section 16 below under the heading 'Emergency and Substitute Management Services'.

## **11. Learning and Development (Training)**

Currently it is the responsibility of DFC to plan and administer the learning and development program for Housing Associations and Housing Co-operatives. It is not proposed to seek alterations to these arrangements at the present time.

## **12. Community Development**

A community development function is a critical component of the work of Common Equity Housing SA. Experience in South Australia and elsewhere has shown the need to provide hands-on support to Housing Associations and Housing Co-operatives on an ongoing basis. In Victoria this function is carried out by CERC Support Coordinators. (A CERC is a Common Equity Rental Co-operative - the Victorian term for their Housing Co-operatives).

In Victoria, Support Coordinators act as a prime communication point between CEHL and the CERCs. They provide training, advice, guidance and monitoring to CERCs within the CERC Program. This may be in the areas of group functioning, conflicts and problem resolution, legal matters, business decision-making, planning, budgeting, finances etc. The Coordinators develop and deliver initiatives to remedy identified gaps in CERCs' performances or introduce new initiatives and developments to the Program. Regular reporting within CEHL on the state of CERCs' overall functioning is required.

It is envisaged that Common Equity Housing SA will require a position with broadly similar functions, but without a direct training role.

## **13. Raising Capital**

A key function of Common Equity Housing SA will be to raise capital for the expansion of the Program. This could take the form of grants from Government or loan finance from the private sector but will also consist of internal Common Equity Housing SA resources and contributions

from others. In Victoria, Common Equity Housing Ltd has been able to contribute substantial amounts of land to new development.

If Common Equity Housing SA is properly established with a strong Board of elected representatives of member organisations combined with technical experts, then it will be in a good position to compete for funds under the Affordable Housing Innovations Program and will be well-placed to approach private financiers such as banks.

#### **14. Property Development**

Once Common Equity Housing SA develops capacity and expertise, it should be well placed to become a property developer along the lines of Common Equity Housing Ltd in Victoria. CEHL has a number of significant property developments under way or on the drawing board at present, including a project for 60 independent living units in Dandenong. The Victorian Government is contributing \$10.6 million to this project which is worth \$14.2 million. There are other plans to build 75 units across Victoria at a cost of \$18.5 million. The practice is to work closely with CERCs to define and respond to their needs.

It will be important to rapidly build the capacity of Common Equity Housing SA to engage development projects, for reasons discussed below.

#### **15. Insurance**

There is a well-established system of providing a range of insurance cover to Housing Associations and Housing Co-operatives through DFC at present. This appears to be working satisfactorily and there appears to be no reason to change.

#### **16. Emergency and Substitute Management Services**

In Victoria, emergency and substitute management services are provided by a service of CEHL called Vic-Wide. Vic-Wide Housing is an internal division of Common Equity Housing Ltd. It works in partnership with other divisions of CEHL to support the CERC Program by providing professional tenancy services whenever direct management is needed. Vic-Wide Housing offers tenancy management services on a long-term or short-term basis.

Long term tenancy with Vic-Wide Housing may be offered to people who are aging or disabled or where particular circumstances limit a tenant's ability to remain active in co-op life. This usually occurs as a result of a mutual agreement to transfer the property from CERC management, following an in-depth assessment of all possible options to meet tenant and CERC needs.

Short-term tenancy management is offered to entire CERCs while they are involved in an intensive retraining or restructuring process. CERC members usually resume responsibility for these operations after a 6-12 month period. In rare situations where a CERC ceases operations, tenancies may be transferred to Vic-Wide Housing on a short or long term basis.

The establishment of a similar service through Common Equity Housing SA will offer a greatly-needed alternative to the current approach in South Australia when a Housing Co-operative does not wish to continue functioning as a Co-op due to ageing or exhaustion, or when it experiences serious disruption or intractable management difficulties. At present, in South Australia, if problems cannot be resolved, the main option is to transfer the Co-ops' properties and members to a Housing Association. Over the last few years this has led to the loss of nearly a quarter of the Housing Co-operative stock and around thirty Co-ops. Similar difficulties have arisen in the Association sector, although not to the same extent, but with similar outcomes.

Having a service similar to Vic-Wide will enable smaller organisations to have a breathing space, sort out their difficulties and hopefully regain their independence and retain their identity.

Staff of CEHL take over routine tenancy management and property management functions for a period of time and will work closely with CERC members to restore effective functioning.

Vic-Wide can also assume responsibility for a property when a single tenant is having severe difficulties or conflict with his or her Co-operative. Transfers of properties from one Co-op to another are also easily and cheaply effected within the leasehold model.

The Victorian Program recognises that Co-op members age and need to “retire” from active membership; it has catered for this through developing retirement stock and partnerships with aged care organisations.

### **17. Incentives to Join & Benefits of Joining Common Equity Housing SA**

For Common Equity Housing SA to be a success, it is highly likely that groups will require incentives to join. Once they have joined, there are likely to be a number of benefits.

The major incentives and benefits are :

- Stability and sustainability of the volunteer-managed sector over the long term
- Ability of small volunteer-run organisations to compete with the large organisations which are now securing the bulk of new government funding for not-for-profit housing
- The prospect of growth and the availability of a community-based property developer
- The availability of administrative support services, especially if these are free or competitive with alternatives
- The potential for a Vic-Wide-type option to better manage and resolve internal problems
- The availability of community development support
- Better options for an ageing membership
- Being part of a sector that has a future, replacing the current pessimism around the future of the Co-operative sector in particular.

It would be undesirable if Common Equity Housing SA began by taking on only dysfunctional Housing Associations and Housing Co-operatives. Therefore the incentives should be positive as far as possible eg growth. It is suggested that the transition to Common Equity Housing SA will be greatly enhanced if the DFC would commit to a growth budget of, say, 50 properties per annum for three years. These 50 properties could be spread over up to ten Housing Associations and Housing Co-operatives per annum.

There is considerable uncertainty about the rate at which Housing Associations and Housing Co-operatives will take up membership of Common Equity Housing SA. The financial modelling has not been undertaken which will enable us to project the point at which Common Equity Housing SA becomes financially viable in the long term. In Victoria, the model has 105 Co-ops and about 1600 properties, and is financially very viable, although restricted in its capacity to borrow further private finance despite approaches from the finance industry.

### **18. A Transition Process**

The challenge facing the establishment of a Common Equity Housing SA is that it will require staffing at a viable level straightaway but it will not have income to pay for staff until it attracts a reasonable level of support from Housing Associations and Housing Co-operatives who want to join.

Therefore, there is a need for a transition process, with staff and operating costs funded primarily by Government for a period of time. This funding will decrease as income from participating groups increases. It is proposed that this transition process last three years. A Business Plan needs to be developed prior to the commencement of Common Equity Housing SA.

The tasks facing us in the establishment of Common Equity Housing SA are:

**Establish Common Equity Housing SA**

- Decide on legal model
- Draw up Constitution & have it agreed
- Lodge registration papers with appropriate authority
- Develop Business Plan

**Establish interim Board of Directors**

- Decide who will be on Interim Board
- Appoint interim Directors

**Appoint Staff**

- Agree on a budget
- Design job & person specifications
- Advertise positions
- Interview

**Invite Housing Associations and Housing Co-operatives to join Common Equity Housing SA**

- Prepare publicity materials
- Do presentations
- Develop appropriate documentation

**Develop service model**

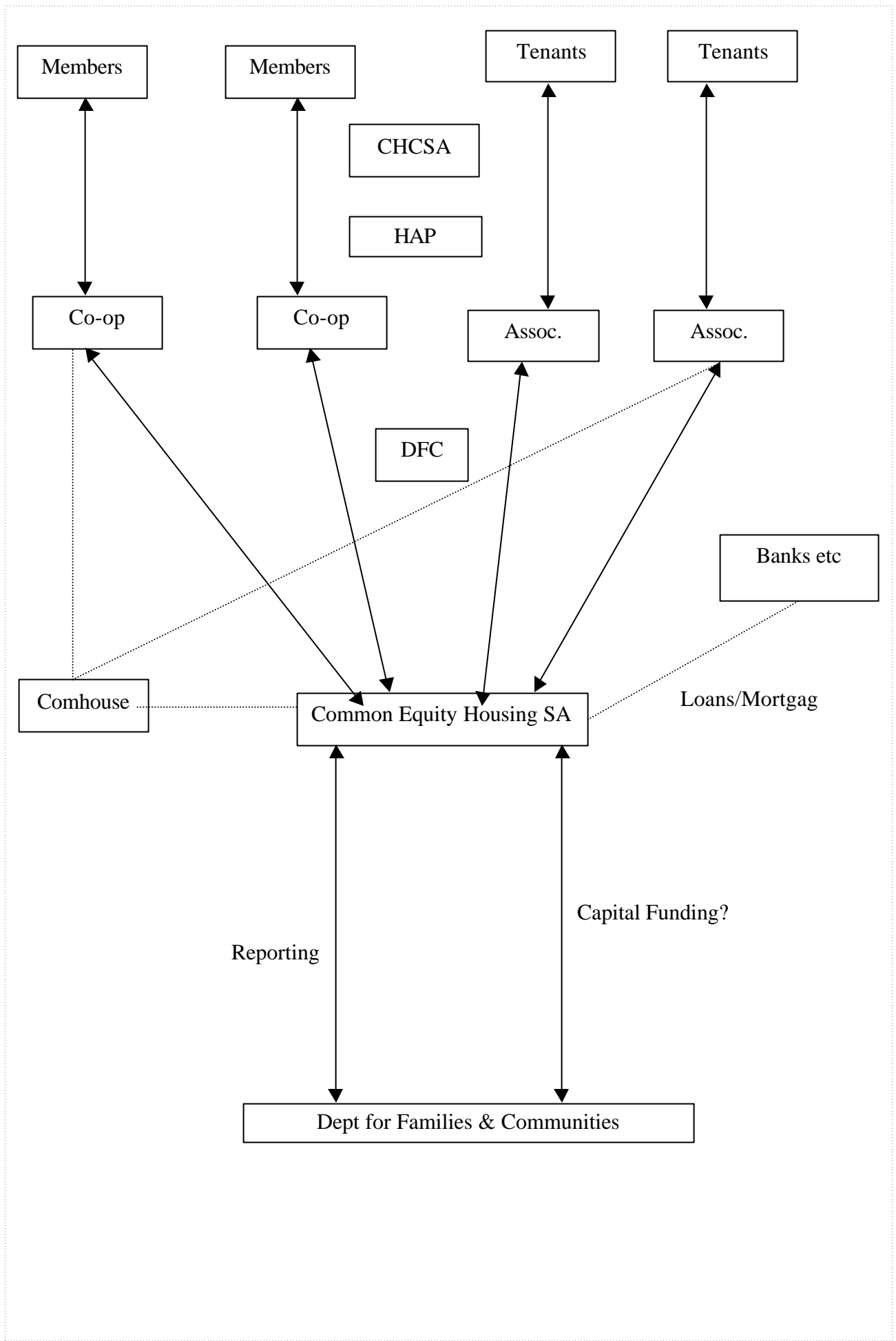
- Design services
- Implement

**Initiate Year 1 Development Plan**

- Call for submissions from member Housing Associations and Housing Co-operatives
- Assess submissions
- Undertake initial development work

It is assumed that after three years, Common Equity Housing SA will either be independently viable or its fate will have to be reconsidered.

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**Roles & Functions of Proposed Common Equity Housing Body for South Australia**