



COMMUNITY HOUSING COUNCIL OF SOUTH AUSTRALIA INC.

The Peak Industry Body for Community Housing Organisations in S.A.

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Common Equity South Australia (CESA)

Question and Answer Information Sheet

For Housing Associations

Community Housing Council of SA Inc

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1. What is Common Equity South Australia (CESA)?

Common Equity South Australia (CESA) will be a non-profit 'umbrella' organisation, established to support the renewal and further development of Community Housing in South Australia. Once it is up and running, CESA will invite Housing Associations or Co-operatives to become members. Those organisations that join will retain their legal identity, autonomy, and management of their properties, while also becoming part of a larger structure. Members will elect representatives to the Board of CESA. CESA will provide a range of support services to its members, and relieve the excessive demands currently made on smaller, volunteer-managed organisations. CESA will encourage a renewed focus on values of community and sustainability. CESA will aim to operate as a 'Preferred Growth Provider' and offer its members new opportunities for growth.

2. Why is CESA being established?

CESA has been developed as a sector-based response to major changes occurring in Community Housing. The State Government supports the development of large 'Preferred Growth Providers' (PGPs), and has decided to direct most of the resources available for further growth to these groups. Meanwhile, some volunteer-managed organisations have struggled with management demands and increased reporting requirements. The number of smaller groups has been rapidly decreasing. Without access to resources for growth or redevelopment, smaller organisations may have difficulty sustaining themselves over the longer term. If there is no change, there will be a continuing loss of diversity in the sector.

Meanwhile, Community Housing sectors in other States have had the same problems, and are responding in similar ways. The Community Housing sectors in both NSW and WA are currently working to establish new 'umbrella' organisations. Victoria already has a similar organisation called 'Common Equity Housing Ltd' (CEHL), which successfully supports over 100 small Housing Co-operatives.

The Federal Minister for Housing is also supportive of moves to 'consolidate' Community Housing sectors, and increase the viability and capacity of providers.

The Community Housing Council of SA (CHCSA) has recognised these trends, and in 2007 a working party was established to develop the ideas further, and put a proposal to

Government. Housing SA and Community Partnerships & Growth (CPG - formerly OCH) are now supporting CHCSA to take the CESA proposal into the next stage of implementation.

3. What are the benefits of CESA?

The CESA proposal aims to combine the strengths and professionalism of a large Community Housing provider with the benefits of diversity, participation and 'localness'.

Benefits to Housing Associations:

CESA will provide a range of benefits to its members:

- ➔ All member Associations will be able to use CESA management services, without the need for any extra levies on tenants. This will decrease the load of stressful tasks on Volunteers.
- ➔ CESA will provide direct support to assist groups with their internal operations in areas such as governance, recruiting Board Members, tenancy management and so on.
- ➔ CESA will take on much of the direct regulatory relationship with Government, on behalf of its members. This will give members a stronger collective 'voice' and reduce their reporting demands.
- ➔ CESA will work with its member Associations to review their goals and values, and to develop new and creative ways to achieve their community development aims.
- ➔ When a problem does occur within an organisation, CESA will offer assistance with mediation, assuming temporary direct management of a 'problem' tenant, or helping to rebuild skills on the member' group's Board.
- ➔ CESA members will retain their independent identity and operations, while having the benefits of being part of a larger organisation.
- ➔ In the longer term, CESA will offer member organisations opportunities for growth, or redevelopment of existing stock to meet changing needs.
- ➔ CESA will have funding arrangements similar to those for a large Housing Association, including a higher level of Administration Allowance.

Benefits to Government:

CESA also provides a number of benefits to Housing SA and the State Government:

- ➔ CESA will meet Government aims to generate growth in the Community Housing sector through a number of Preferred Growth Providers
- ➔ CESA will provide greater confidence to Government that smaller Community Housing Organisations are viable and well supported, and able to meet community needs
- ➔ CESA will reduce demand on Government resources by creating one 'umbrella' organisation to be the focus of regulation, compliance and reporting. Government Officers won't have to deal directly with individual member organisations

4. How will CESA be managed? What say will members have in decision making?

CESA will be a Company Limited by shares or guarantee, and will be registered under the SA Co-operative and Community Housing (SACCH) Act. CESA will be managed by a voluntary Board of Management. The Board will be made up of both independent, skill-based members and a number of positions elected from the membership at the AGM. Other forums such as a policy advisory committee will be established to enable members to participate, and communicate issues and ideas to the Board. CESA will have a number of paid staff to manage the organisation and deliver services to its members.

5. What do we need to know about joining CESA? What changes will it involve for our organisation?

- ➔ Joining CESA will be a voluntary decision taken by an individual Housing Association or Co-operative. This decision will be made via a Special Resolution, as defined in the SACCH Act. Once CESA is established, the option to join will remain open to other groups. However, it will be important in establishing CESA that enough organisations join 'up front' to make it viable. (Government has set an initial benchmark of 200 properties.)
- ➔ Organisations choosing to join will transfer the title on their existing properties to CESA, and then lease them back again via a new, long-term Lease/Service Agreement with CESA. Your organisation will retain direct control of the properties and tenancies. Centralising the titles under the one organisation will enable CESA to gain a higher level of funding, and to operate as a PGP.
- ➔ CESA will have its own Funding Agreement with Government. When a Housing Association joins CESA its existing Funding Agreement with Community Partnerships & Growth will lapse.
- ➔ When a Housing Association joins CESA, its existing rules and by-laws will continue to apply. In the longer term, some changes to by-laws may be negotiated to reflect the new arrangements.
- ➔ The Lease/Service Agreement will provide you with long-term control over your properties and set the terms for the financial and other arrangements between CESA and your Association.
- ➔ Member organisations will continue to be registered under the SACCH Act
- ➔ Once a Community Housing Organisation has joined CESA it will generally not be possible for it to leave, or to return to its previous position.

6. Will our tenants have security of tenure?

CESA will promote a principle of security of tenure for tenants within the scheme. However, security of tenure for tenants of Housing Associations is mainly provided for through the SACCH Act, the Residential Tenancies Act and the rules and by-laws of the organisation. Provided tenants continue to meet their obligations, security of tenure is usually assured. If your Association decides to join CESA, it will continue to be the landlord for your tenants, and the same tenant rights and responsibilities will continue to apply.

7. Will rent structures remain the same?

Current rent policy for debentured properties within Community Housing is determined by Government policy, including the 25% of income limit and the setting of ceiling rents. Unless that policy changes, rent structures will remain essentially the same for all debentured properties coming into the CESA scheme. Any changes to Commonwealth Rent Assistance (CRA) arrangements in SA will be determined by Government policy.

8. What will be the financial relationship between CESA and its members?

Member organisations of CESA will continue to operate as landlord for their tenants. Rental income will be divided between CESA and member organisations. The precise terms of this division have not yet been decided, but will be assessed according to the expenses each party is responsible for. For example, member organisations will continue to be responsible for responsive 'minor' maintenance and their own administration expenses. Monies going to CESA will cover rates and property charges, and the various services CESA provides. The total rent income per dwelling retained within the whole network will be higher than it presently is for small Housing Associations because, as a large provider, CESA will qualify for higher Administration Allowance funding. This higher level of funding will help cover the costs of CESA's activities.

9. What about our maintenance reserves, or other 'surplus' funds?

Funds held as major maintenance reserves by an Association that is not a Comhouse member will be transferred when that group joins CESA. CESA will maintain a maintenance fund for that Association, and take responsibility for long-term 'major' maintenance work. The individual member organisation will continue to take responsibility for responsive 'minor' maintenance work and retain funds for that purpose. Comhouse member groups that join CESA will have a different set of arrangements. (See Q. 14)

➔ Any other funds that an Association has invested at the time of joining CESA will be retained by the Association and be available for agreed uses such as property improvements, provided they are not required to cover outstanding liabilities.

10. What services will CESA provide? What will be the division of responsibilities between CESA and its members?

CESA will provide itself, or arrange for, a range of services to all its member organisations. It is envisaged that these will include:

- Bookkeeping and rent management services (Although a member organisation will be able to apply to the CESA Board to continue to manage these functions itself).
- Payment of property costs, asset management and planning, and major maintenance.
- Property inspection services.
- Support, development and advisory services. Member organisations will be supported to achieve high-quality standards of governance and tenancy management.
- Temporary, direct tenancy or organisational management services for member organisations as required to support aging tenants, or assist in dealing with internal conflict or loss of skills.

CESA will also work with member organisations to reinvigorate their purposes as community development organisations, and to shift the balance of their voluntary efforts accordingly. This could include taking steps to better support vulnerable tenants, create new services, or to achieve greater environmental sustainability.

CESA member organisations will continue to manage and maintain a range of normal organisational functions, including:

- Effective governance through regular meetings, election of Office Bearers, formation of Committees and so on.
- Responsive/minor maintenance.
- Processes of tenant and member selection and day-to-day tenancy management.
- Maintaining financial records, annual budgeting and auditing.
- Community development activities as decided by the organisation.

11. What will happen with Education and Training?

We currently expect that Community Partnerships & Growth will continue to deliver a Learning and Development program within the sector. However, the delivery of these services in the sector may change in the future. If that occurs, the Community Housing Council of SA, or CESA itself, might begin to offer new services in this area.

12. Will eligibility requirements and our process of gaining new tenants/members be the same?

Yes. Eligibility requirements for Community Housing are dictated by Government policy and are expected to remain the same.

They will apply to CESA and its member organisations. Your organisation will continue to be responsible for identifying and housing new tenants, according to your own criteria. Your existing processes for doing so will remain in place.

13. How will CESA generate opportunities for new properties, or redevelopments, and how will these be allocated to members?

The first main goal of CESA will be to achieve financial viability, create a stable business structure and offer support services to its members. Beyond that, CESA will aim to develop or acquire new housing stock, which will then be leased to member organisations. The CESA Board will take a conservative, risk-management approach to growth, to ensure financial viability and protect against future risks. CESA's ability to generate growth may be affected by a number of factors:

- CESA achieving Preferred Growth Provider status.
- Access to capital funds through Housing SA.
- A significant increase in the overall size of the CESA scheme, generating economies of scale and some capacity to service debt.
- Development of new affordable housing projects, through partnership arrangements with State or Federal Government.
- Access to properties transferred from the Public Housing system.

CESA will establish a policy on the allocation of any new-builds, purchases or redevelopment opportunities amongst its member organisations. It is likely the policy will identify a number of possible reasons for allocations to one member organisation rather than another. The CESA Board will weigh up these reasons when making an allocation decision. Factors the Board might take into account include:

- Meeting Government criteria for the provision of social housing.
- Growing organisations that are interested in growing.
- Equity between member organisations.
- Redeveloping properties, which are a maintenance liability, or have space to replace a single dwelling with several units.
- Meeting housing need in a particular geographic area.
- Creating new Housing Associations or Co-operatives.
- Meeting the needs of aging tenants.
- Achieving environmental benefits.

The redevelopment of any existing property would be negotiated with the member organisation affected and managed to ensure minimal inconvenience to the tenant/s.

14. What will happen for Comhouse members that join CESA?

There are a number of options here and final decisions have not been made. It is possible that CESA will negotiate a new single contract with Comhouse to continue to provide services for all of its member-organisations that have joined CESA (using existing funds held in reserve by Comhouse). CESA would then directly manage 'major' maintenance works for all of its other members.

15. What will happen to our organisation if CESA fails?

The current project to create CESA is being carefully planned and implemented step-by-step, to ensure that CESA is launched as a financially viable, healthy, well-managed organisation. However, if CESA were to become financially unsustainable and decide to close, then all properties held by CESA (and leased by its members) would be transferred to another non-profit housing provider. Even if this happens, however, the properties and your tenancies would be secured, as is required under the SACCH Act.

16. How would appeals be dealt with for CESA members and their tenants?

CESA member organisations will still manage their own members in the normal way, and still be acting as landlord for their tenants. Thus member organisations would still be subject to appeals either through Residential Tenancies or the Community Housing Appeals system. The appeals rights of members and/or tenants would remain the same.

17. What does all this mean for the future of the Community Housing Council of SA (CHCSA)?

The CHCSA, through its elected Policy and Management Committees, has chosen to support the development of the Common Equity model because we believe it is in the long-term interests of the sector. However, the CHCSA is also fully committed to continuing to represent and support *all* of its member Associations and Co-operatives, whether or not they choose to join CESA. The idea has been raised that the CHCSA might itself take on the role of CESA, but this could conflict with the CHCSA's representative and advocacy role on behalf of the whole sector. The CHCSA recently supported the submission of the major Common Equity Business Case to Government, and agreed to assist CESA to get 'off the ground'. No other decision has been made beyond that point. It is important to realise that the sector as a whole is changing rapidly, and one way or another, this is likely to mean change for the CHCSA as well.