

Ms Carol Shard,  
Manager,  
Office for Community Housing  
GPO Box 292  
**Adelaide 5001**

5 May 2008

Dear Carol,

### **Towards a Common Equity Housing Model for SA**

I am writing to follow-up from the *Common Equity Housing Model Forum* which was held on 15<sup>th</sup> April 2008.

The non-government members of the Common Equity Working Party met on 1<sup>st</sup> May to discuss the Forum. They resolved to support the continuing development of the Common Equity model, based on the positive feedback obtained from those attending the Forum. Of thirty eight members of Housing Associations and Housing Co-operatives who completed the feedback form at the Forum, twenty said they are in favour of their organisation joining the proposed common equity model, two said they are not in favour and sixteen said they are uncommitted at present or require further information. The Working Party noted a number of reservations and queries expressed by those attending the Forum.

I understand that you are now developing an OCH viewpoint about continuing work on the model.

The common equity model will assist in the implementation of the four Goals specified in the Government's *Vision for Community Housing* as released in 2006, eg strengthen community housing, develop alternative financial strategies, define government role in risk management and sector development and strengthen business capacity. The common equity model could further all of these objectives. Goal 1, for example, calls for the development of new models for co-operative housing. The common equity model will help re-build co-operatives and allow them to focus on their underlying purposes. The common equity model will enable the co-operative and small associations sectors to play a more vigorous role in achieving the Government's affordable housing objectives and implementing the *Housing Plan for South Australia*.

It is desirable to look at the issues from a systemic viewpoint, not solely from the viewpoint of any existing organisation. It is necessary to consider the implications for the whole volunteer-managed sector over a sustained timeframe and to think about those members of the community who may benefit from these modes of community-managed housing in years to come. Development of the model requires vision, commitment and a broad perspective from all stakeholders.

Other arguments in favour of developing the model are:

- Under current arrangements there has been a continuing decline in the number of housing co-operatives (and to a lesser degree small volunteer-run housing associations).
- Over thirty co-ops and 400 properties have been lost in the last eight years and problems continue to emerge.

- At the present time the only solution appears to be to wind-up the small organisation and transfer its properties and tenants to a large housing association.
- Therefore it is time to try a different approach if we wish these forms of community housing to have a sustainable future.
- The common equity model has a proven track record in Victoria where it attracts Government support and is part of the growth program; it is also highly regarded by the members of housing co-operatives.
- The model is being actively explored by Government and the non-Government sectors in NSW and Western Australia for their respective co-operative sectors.
- The model offers the potential to put the housing co-operative and small housing associations models back on a growth track. This robust model is more likely to attract the confidence of the private sector and stimulate investment as it has in Victoria. It overcomes the difficulty that individual co-operatives and small associations may have in attracting private loans and participating in the Affordable Housing Innovations Fund.
- The common equity model will stabilise the sectors involved in South Australia, reducing costs of program management and regulation for Government (compliance costs).
- The model strengthens community management of non-government housing while enhancing professional management of the sector both at the Board level and through skilled staff.
- It allows for greater input from the small housing organisations into program management, including at Board level – it is better integrated and offers a more collective approach for the sector.
- The model offers new solutions when small organisations experience difficulties eg along the lines of the VicWide option which is a feature of the Victorian program. It offers scope to rehabilitate malfunctioning organisations and provides a safety net to help ensure long-term sustainability.
- The model opens up options for new partnering arrangements eg with aged care providers to create retirement options and with financiers to create growth.
- The model offers new and cheaper flexibilities in regard to reorganising stock between groups when desirable, because sale and purchase are not required.
- The model will simplify arrangements for government and streamline processes, with only one organisation to work with (the Common Equity body) if that is the desired arrangement.
- The model can offer improved on-ground support and services while clearly separating the regulatory and support functions between the government and non-government sectors ie it visibly delineates and separates roles.
- The model allows for administrative burdens on groups to be adjusted to the level they desire.
- The new model places appropriate levels and difficulties of tenant management/community management at the local level, while strengthening professional management at the sector level ie it ensures the required levels of expertise are placed at the appropriate points in the structure.
- The proposed Board structure combines input from the user organisations (Housing Associations and Housing Co-operatives) with professional contributions in areas such as law, finance, housing policy, community development and property development.
- With alignment of models occurring across States there is greater potential for advocacy to the Federal Government.

It can be seen that there would need to be a realignment of roles between OCH, CHCSA, the new Common Equity body and possibly Comhouse. This could have resourcing implications for all these organisations.

The feedback from the Forum suggests that what participants want to see next is the operational detail of how the model would work in practice. In particular, they want to see foundation documents such as:

- A Constitution for the Common Equity body
- The documents which link the body to Government
- Proposed head-lease between the Common Equity body and the participating Housing Associations and Housing Co-operatives
- Details of the proposed rent policy and other Program guidelines.

Potential participants want a clearer understanding of roles in the new model and the benefits the model will bring to them and the sectors concerned.

The non-government members of the Working Party consider the Victorian Common Equity Program to be a model from which we can learn but which must be adapted to meet the circumstances and needs of the South Australian community housing sector. It is not appropriate to produce a 'carbon copy' of the Victorian Program for South Australia.

A critical issue to resolve is the major maintenance arrangements. This can only be done in conjunction with Comhouse.

It will be necessary to address transitional issues such as the place of existing debentures in the proposed structure. In some cases Housing Associations and Housing Co-operatives have undertaken joint ventures with other parties including local government and the feasibility of including such arrangements in the new structure needs to be addressed. Some groups may also own properties which are not subject to debentures and the issue of their future in the proposed structure also needs to be considered.

Non-Government members of the Working Party also consider that there should be a 'no disadvantage' test for groups entering the new structure ie that no one should be worse off than they are now in respect of Program rules and guidelines. This would apply, for example, in regard to disability standards, maintenance arrangements and environmental standards.

It is essential that we develop a Business Plan for the first three years of the proposed body. This must address the issue of how much transitional funding will be required and an acceptable growth rate for the new arrangements ie how many of the existing Housing Associations and Housing Co-operatives must transfer to make the new body viable and in what timeframe. Groups attending the Forum wanted reassurance around what would happen if the new model was a failure. Some wanted the option of a trial period of membership.

CHCSA does not have the financial and other data about the community housing sector to create the Business Plan – this is a task which should be primarily undertaken within your Office should you decide to proceed, with support from the Working Party.

Overall the non-Government members of the Working Party recommend that:

1. OCH support the continued development of a Common Equity Housing body for South Australia
2. The Working Party develop a detailed agenda for the change process
3. The Working Party be charged with developing foundation documents as discussed above, with technical assistance as required
4. OCH, with support from the Working Party, develop a Business Plan for the proposed Common Equity body. This would have to address the issues of what would happen if the model was unsuccessful as well as the issue of a trial period.

Yours Sincerely,

Ciarán Synnott  
Executive Officer