



# LARGE SCALE PROPERTY TRANSFERS

NSW Federation of Housing  
Associations position paper



nsw Federation of  
Housing Associations inc

## Introduction

The causes of housing stress and the potential solutions are not unique to NSW or even Australia. All over the developed world, leaders recognise that a strong, regulated community housing industry, operating at scale, needs to be a major partner in relieving housing stress.

The community housing industry is ready to embrace the NSW Government's large scale transfer of the social housing portfolio to community housing management. This will:

- ▶ Act as a catalyst for growth of the social and affordable housing portfolio;
- ▶ Help meet the demand for housing;
- ▶ Enable the short and long term efforts required to address the financial unsustainability of public housing; and
- ▶ Deliver lasting outcomes for tenants and communities.

Members of the NSW Federation of Housing Associations believe Government and industry need to jointly implement a well planned Property Transfer Program (PTP).

**This should begin with a transfer of a minimum of 30,000 properties across the state over a two-year period.**

We are ready to work with Government to establish an effective process including strategies for evaluating effectiveness and social impact.

**Achieving scale will bring about further innovation and diversification to support an interconnected housing system.**

It will also deliver **better outcomes for tenants and communities** as community housing providers actively manage portfolios to ensure the properties meet tenants' needs.

## Community housing – our strengths

The community housing industry has been delivering high quality rental housing for people on low to moderate incomes for over 30 years. **Together, we manage 38,000 tenancies across NSW and own \$1.7 billion worth of community housing assets.** We have the capacity to deliver on the Governments commitment to protect the vulnerable, a priority outlined in the NSW State Priorities Making it Happen document and believe we can significantly contribute to delivering the outcomes outlined in the Baird Government's Social Housing Policy due for release in early 2016. In short, we are ready to do more.

- ▶ We are **viable, ethically** run businesses driven by strong missions and values.
- ▶ We are careful stewards of public assets with a commitment to transparency: we are accountable through **contractual arrangements, policy settings and robust regulation.**
- ▶ We **reinvest our profits** to improve services and increase the amount of housing we offer.
- ▶ We have a range of **competitive advantages**, including: tax exemptions and the ability to take out loans against our assets.
- ▶ We have **proven capability** in managing tenancies and properties, supporting clients, and building strong communities.
- ▶ We have developed sophisticated **partnership networks** with councils, local service providers and government agencies.
- ▶ We vary greatly in size and location, and have a track record in using our scale to diversify the services we offer. This diversity delivers **contestability to Government and choices to tenants.**

## Purpose of this paper

This paper has been developed by the NSW Federation of Housing Associations. It expresses the desire of our members to communicate and build an active agreement between the community housing industry and Government so that a PTP is mutually beneficial, sustainable, replicable, and delivers the desired outcomes for tenants and the broader community. To achieve this, our members seek to work with Government to co-design and co-own the objectives, design and outcomes of the PTP. It also puts forward our members' position on what a PTP should achieve and considerations for Government in designing and implementing an effective program.



# Our position on a Property Transfer Program

The ability of the community housing industry to optimise the outcomes of the NSW Government's Social Housing Policy will depend on policy decisions, including whether the Government offers title or management transfers, the term of a management lease and expectations around property condition.

The NSW Federation of Housing Associations has conducted a series of workshops with our members to determine a common position on what they think a PTP should achieve and how we can partner with Government in its design and implementation.

## Strategic objectives

We believe that an effective PPT should have the following strategic objectives:

1. To achieve a viable and interconnected social housing system.
2. To be highly responsive to the needs of tenants and communities.
3. To further develop business models and structures that deliver the benefits of efficiencies of scale, while retaining local services, areas of specialization and the flexibility to respond to tenants' needs.
4. To maximize public value through community housing providers combining their rental income with other government subsidies, tax benefits and private finance to provide additional, low cost, housing.
5. To undertake major renewal of public housing neighbourhoods, maximise community renewal outcomes through long term investment and improve tenant and community engagement and asset redevelopment.



# Program design

In designing a PTP, we believe there are a number of things the NSW Government should consider.

## Title transfers

Transferring title to community housing will significantly enhance outcomes for tenants and applicants. It would also help clarify the role of Government as funder and regulator, with responsibility for portfolio management and tenancy services transferring to the industry.

If the Government were to transfer title, we believe it should implement the following:

- ▶ **Only transfer properties** to CHPs registered under the National Regulatory System for Community Housing;
- ▶ CHPs will own all new build and purchased properties leveraged off a transfer portfolio. They will leverage these for the purpose of delivering additional social and affordable housing;
- ▶ CHPs will use the extra revenue they receive such as Commonwealth Rent Assistance (CRA) and tax exemptions to deliver viable and sustainable outcomes – for tenants, communities and for assets;
- ▶ CHPs will retain the title to new social and affordable housing leveraged off the cash flow of leased properties;
- ▶ Where CHPs are contracted to renovate or redevelop existing portfolios, the Government will transfer the title to those properties to the CHP (at nil consideration);
- ▶ Where the Government transfers title, it will not expect to receive payment (this is based on the idea that the reforms will improve the social and affordable housing system rather than compensate one part of that system);
- ▶ Where Government transfers management of a property, leases should be long term and no less than 35 years. The longer the lease, the greater the capacity for CHPs to optimise outcomes. Properties currently leased from the Land and Housing Corporation should be similarly secured to ensure alignment and consistency;
- ▶ There should be recognition that there will be different reasons to transfer in different locations and that these should be aligned with desired outcomes for the location.

The community housing industry is keen to leverage the wealth of knowledge that Public Housing staff have in transfer locations and would look to employ their services. The industry would work in partnership with FaCS to develop effective transition plans for those FaCS staff transferring to a CHP.

## Process

We support and recognise that Government will require a transparent process when selecting participating CHPs in order to foster a vibrant and diversified market which can fuel housing supply. It will want to test capacity and skills and will not want to exclude new entrants. The PTP selection process will need to be efficient and not tie up significant resources for both Government and the industry. It should also include a flexible approach to identifying providers to achieve the program's strategic objectives and enable procurement to be reflective of risk.

## Procurement

The community housing industry would work with Government to jointly define the contracted outcomes expected of the PTP. To ensure we can undertake appropriate due diligence, we would need to gather accurate and complete information from Government about the assets (dwelling type, number of bedrooms, age etc), maintenance liability, tenant and household demographics, rental revenue and priority tenant groups. Both Government and CHPs need to be able to renegotiate contracts where information provided is inaccurate.

Even where properties are leased rather than owned, CHPs need to have the capacity to manage their own portfolios. Government should contract CHPs to make decisions about divestment, development and maintenance. This should be within the parameters of a broader Asset Management Strategy for the whole of the social housing portfolio but should not deter CHPs from being entrepreneurial and responsive to the needs of their communities.

## Consultation

The industry should have input into defining property condition standards. We would also work with Government to engage tenants in the design and implementation of the PTP.

“The community housing industry offers Government a trusted partner. While we are independent from Government, we understand Government's needs and priorities and have the capacity to adjust policy settings to maximize opportunity. Together we can achieve more, sooner rather than later.”