Public housing stock transfer – impacts and implications for local government

FINAL REPORT

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- City of Whyalla

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Executive Summary

This is the Final Report of a project that examines the impact of the South Australian Government’s announced program of public housing stock transfers to the community sector on local governments. The community housing sector in Australia is defined as not-for-profit housing and is made up of both larger and smaller organisations. Some operate on a business-first model, while others remain small scale.

The project has been funded by the Local Government Research and Development Scheme (LGRDS) and was developed to address five specific goals:

1. Explore alternative housing transfer models to those proposed by the South Australian Government;
2. Understand the fiscal impacts on councils of the proposed transfer;
3. Review the impact of transfers on urban regeneration potential;
4. Consider social outcomes, including the impact on community governance and capacity within social housing; and,
5. Determine how the transfer aligns with broader South Australian Government priorities and the financial sustainability of local government in this State.

As part of the project we reviewed international experience with public housing stock transfers, focussing in particular on two – albeit high profile – case studies, the UK and the Netherlands. We can draw a number of conclusions from both:

- The shift from government-provided to community managed and owned housing has been largely successful in both instances;
- The two nations have used different models for stock transfer, with both using models that are more market-oriented and dependant than those indicated for Australia;
- There is no evidence of transferred stock in other nations being made exempt from local rates, taxes and charges; and,
- The shift to housing associations has facilitated urban regeneration and the expansion of social housing in both nations. Whether this could be replicated in South Australia – with a very different ownership structure – is open to question.

Fieldwork in South Australia, Victoria, New South Wales and the ACT found that:
• Rate rebates for community provided housing are a major issue in all jurisdictions, and in practice not every State and Territory requires local government to provide them;

• In Victoria, some local governments are encouraging and assisting community housing providers through the provision of direct grants, allocated on a competitive basis;

• Community housing providers value rate rebates as it can allow them to generate surpluses that enable them to grow. However, they are aware that they can generate tension with the broader communities within which their tenants live in and in which their houses operate. The need for rate subsidies brings into question the sustainability of these organisations;

• There is a perception that they are most appropriately provided to the smaller social landlords;

• There is a case before the Land and Environment Court of New South Wales with a community housing provider arguing for a non-optional 100 per cent rebate on rates. The case could have substantial implications for the sector;

• The process of stock transfer appears to have stalled in the ACT, largely because of its fiscal impact on the Territory government;

• The evolution of social housing in Australia appears fluid, with major policy changes being considered.

We collected data from the local governments in South Australia most affected by stock transfers and we found that there were a number of issues of considerable concern. While there is a diversity of opinions and experiences, a number of common themes emerge:

• Stock transfers have already had a significant impact on the revenue base of local governments, with potentially significant implications for their ability to provide services and support for their low income communities;

• Almost 2,000 rate exemptions have been granted to community housing providers in the four LGAs of Marion, Onkaparinga, Playford and Charles Sturt;

• The rate exemptions for these four councils total $2 million per year. Given that rates are an annual charge, the total loss of revenue is significant, with substantial implications both for cash flow and overall budget position. Clearly rate rebates erode the financial sustainability of the affected councils and are seen as inequitable within the community;

• The potential impact on individual Councils is severe, with one estimating that up to $2.6 million per annum in revenue could be lost;
• There is clear evidence of both cost shifting from the State Government to local
governments, and of community housing rate rebates exacerbating already significant
challenges within communities, as one local government noted:

The financial impact increases for our community each year particularly those
on fixed incomes. Currently we have 16,526 or 24.44 per cent of our residential
properties who are in receipt of State concessions.
In addition, where properties are in receipt of mandatory and/or discretionary
rate rebates the State withdraws the State pensioner concession. The whole
exercise appears to be cost shifting from State Government to Local
Government.

• Local governments noted that the rate rebate has compounding fiscal effects for Council and
the broader community, with the cost burden associated with the Natural Resource
Management levy affected by stock transfers and associated rebates;

• Councils have significant concerns about stock transfers ‘locking out’ urban regeneration
projects in locations with prime potential for reinvestment. There is a secondary implication
being that the housing stock continued to be used beyond its ordinarily accepted useful
asset life and is ‘patched up’. This often creates a concentrated cohort of housing in poor
condition/repair. The potential for it to move from affordable housing to disadvantaged
housing is a growing concern.

Overall the research suggests that while local governments have a generally positive attitude to
stock transfers and the community housing sector, the requirement to provide rate rebates is an
unfair and undue impost on them. It is a clear and unjustified instance of cost shifting from State
government to local governments. Importantly, not all jurisdictions around Australia have imposed
similar burdens on local government and this absence elsewhere underscores the fact that this has
been a deliberate decision by the South Australian Government. Finally, community housing
providers need to reflect upon the fact that the receipt of rebates undermines their long time
sustainability by reducing community support for their continuation and expansion.

Each local government jurisdiction in South Australia has yet to receive a definitive list of which
properties and when they may become transferred and hence eligible for a mandatory rebate.
Councils under current state legislation are required to prepare annual business plans and long term
financial plans. The preparation and reliability of these plans is undermined and compromised by the
current uncertainty associated with potential public housing stock transfers.
Introduction

This is the Final Report of a project that examines the impact of the South Australian Government’s announced program of public housing stock transfers to the community sector on local governments.

The project has been funded by the Local Government Research and Development Scheme (LGRDS) and was developed to address five specific goals:

1. Explore alternative housing transfer models to those proposed by the South Australian Government;
2. Understand the fiscal impacts on councils of the proposed transfer;
3. Review the impact of transfers on urban regeneration potential;
4. Consider social outcomes, including the impact on community governance and capacity within social housing; and,
5. Determine how the transfer aligns with broader South Australian Government priorities and the financial sustainability of local government in this State.

This research was developed in response to the concerns of a number of local governments across South Australia. In April 2013 at the LGA-SA General Meeting a motion on Rate Rebates for Community Housing Associations was put by Salisbury Council, seconded by Marion and carried unanimously. The motion requested:

“The Local Government Association seek an urgent review of the policy and legislation that provides Community Housing Associations with a 75% rate rebate, and makes clear to the South Australian Government that the erosion of local government’s rate base through the transfer of State housing stock to Community Housing Associations is unacceptable.”

The Local Government (Accountability Framework) Amendment Act 2009 amended Section 161 of the Local Government Act 1999 (the Act) and introduced the expanded definition of bodies eligible for the 75 per cent mandatory community services rebate. This amendment included registered housing associations. All councils are required to provide the 75 per cent rebate and it is at their discretion to provide a higher rebate.

Since the change in legislation, the Local Government Association (LGA) of South Australia has become aware of significant growth in the numbers of eligible housing association properties, including Housing SA properties, leased to housing associations. The South Australian Government
has also announced that a further 5,000 Housing SA properties are to be leased to housing associations, with the first tranche of 1,100 to be transferred by February 2015. The City of Playford will see 500 transfers and the City of Marion 600 transfers within their boundaries.

In 2012 the LGA Secretariat surveyed councils and found that from 2010-2011 to 2011-2012 the total number of housing associations had increased from 2,318 to 2,722 (17 per cent) and the total value of rebates increased from $1.045 million to $1.653 million (58 per cent). Of the 37 councils surveyed, 13 reported Housing SA property transfers totalling 206 properties. The most severely affected councils were Onkaparinga (53 properties); Port Adelaide Enfield (30); Salisbury (20) and Berri Barmera (25).

The 2011 Census shows that the largest stock of public housing is found in the local governments of Marion, Playford, Onkaparinga, Port Adelaide Enfield, Charles Sturt, Salisbury, Whyalla, Port Augusta, Port Pirie and Mount Gambier. These are the council areas most at risk from the transfer of stock – with some estimating potential lost revenue of up to $3 million per year. The increased transfer of public housing stock to the community housing sector will immediately disadvantage those councils with a higher proportion of public housing stock which will also have an adverse impact on their capacity to deliver existing services—without raising the rates of other ratepayers. The transfer of public housing and the awarding of rate rebates raise an important equity issue because much of the public housing stock is located in areas of lower socio-economic status. Communities that are already disadvantaged could therefore be asked to pay more to support community-provided housing. While governments have a redistributive role, State and Australian Governments are better positioned to undertake this function.

The historical legacy of the clustered location of public housing has enabled the regeneration of neighbourhoods and an increased housing density and more balanced population profile. There is a concern that this regeneration potential will be dissipated and the task of engaging in redevelopment become more onerous when control of public housing assets is fragmented.

This project reviews the impact of the transfer of public housing stock to the community housing sector on local governments. The review will consider all of South Australia, but focusses on the local government areas of Salisbury, Playford, Port Adelaide Enfield, Charles Sturt, Marion, Onkaparinga, and Whyalla. In particular the research examines the fiscal impact of rates rebates for the listed local governments and the wider rates base of that local government area. It considers broader equity issues and the potential impact on urban regeneration.
Background

In the past governments across Australia used publicly owned housing to meet their housing objectives with relatively large stocks of government owned dwellings made available to low or moderate income households (see Beer and Paris 2005). Over recent years governments have sought to provide housing assistance through a range of other policy instruments, including the recasting and expansion of Commonwealth Rent Assistance (CRA), and more recently via the expansion of community-owned housing. The Rudd Government introduced the National Affordable Housing Agreement (NAHA) to replace the Commonwealth State Housing Agreement (CSHA) that had been in place for more than 50 years. Innovation in housing policy emphasised the expected growth of community housing over more conventional public housing. In many jurisdictions this process was accelerated through large scale stock transfers and the establishment of ‘preferred growth providers’ – larger community housing associations assessed as holding the potential for growth.

*Figure 1: Publicly Owned and Controlled Housing in South Australia, 1938 to 2012*

Changes in housing policy and programs in South Australia have broadly been in keeping with national trends although the shift to a new model of accommodation support has, perhaps, been more pronounced in this State than in some other jurisdictions. As a number of authors have noted, South Australia has had a long and successful history of engagement with social housing (Stretton
The stock of public rental housing grew until the 1990s, before declining at a relatively rapid rate from 1992 onwards (Figure 1 above). The public housing programs of all State Governments came under increasing pressure from the mid-1990s as the formulae for calculating rents failed to keep pace with costs and as CSHA payments to the States were eroded by inflation and ‘efficiency dividends’ (Hall and Berry 2004). States and Territories, including South Australia, responded by selling stock.

The impact of changes to the structure of the population accommodated in public housing has been profound. Where once public rental housing in South Australia was intended for ‘working men and their families’ (Marsden 1986), increasingly social housing is a form of accommodation only available to the most disadvantaged in society. In 2010-11 89 per cent of public housing tenants—and 96 per cent of new tenants—were in receipt of a rental subsidy (SAHT 2011 p.7) as they received a minimal income. The Steering Committee for the Review of Government Service Provision (SCRGSP) (2012) noted that the percentage of new tenants entering public housing in the category of ‘highest need’ rose in South Australia from 46.5 per cent in 2005-06 to 80.3 per cent in 2010-11. The South Australian Housing Trust Annual Report 2010-11 noted, ‘many of the clients we house are not ‘housing ready’’. That is, tenants struggle to sustain their tenancies because of unstable living arrangements, very low incomes, lack of work and/or a limited understanding of their obligations as tenants. Housing SA, the State Government’s housing agency, has responded by providing support to the most vulnerable, including those who have been homeless.

Consolidation of the community housing sector has been a second key feature of housing policy in South Australia over recent years. In 2009 the South Australian Government used a public tender to appoint a number of Preferred Growth Providers (PGPs) amongst community based housing organisations, with the selected entities given preferential access to future funding from the State Government (SAHT 2012). Over the past four years the sector has both consolidated and grown, albeit at a relatively low rate. Organisations working with homeless persons have also witnessed a consolidation of State Government funding and support, an outcome associated with the broader reformation of homelessness services under the National Partnership Agreement on Homelessness (NPAH). Such change has been controversial at times, with some organisations seen to benefit while others have faced a reduced presence and a less certain future.

Innovation within Australian and State Government has had an impact on the implementation of social housing policy in South Australia, but many established trends have continued. The NAHA and the Nation Building – Economic Stimulus Program (NB-ESP) brought significant new investment in social housing in South Australia, but it is important to acknowledge that this investment was
ultimately directed toward community housing providers, rather than the public provider – Housing SA. As such, this both represented a continuation of a trend evident from the early 2000s, and an historically significant boost to this stock (Figure 2). Community housing bodies now serve an increasingly important role in South Australia’s housing landscape and this outcome has been fostered by the State Government.

Figure 2: Transfers of Debentured Stock to the Community Housing Sector, 2000-2012

![Graph showing transfers of debentured stock to the community housing sector from 2000 to 2012.](image)

Source: DCSI, 2012

The Challenge for Local Government

In August 2013 the South Australian Government issued a tender entitled ‘Better Places, Stronger Communities Public Housing Transfer Program’ for the transfer or 480 Housing SA properties in Elizabeth Grove/Elizabeth Vale and 600 properties in Mitchell Park. The transfer was to include the management of properties with ownership remaining with the State Government and there was an expectation that this transfer would be the first of several, with the management of potentially 5,000 properties affected by 2018-19. Housing SA presentations to interested parties noted:

- The South Australian Government was committed to growing the community housing sector;
- The government sought to ensure that South Australia remained an affordable place to live;
There remains an intention to develop a multi-provider system of housing assistance and supply; and,

The government sees itself partnering with non-government community housing organisations to build a stronger social housing sector (DCSI 2013).

The initial tender release in 2013 focussed on full property and tenancy management for an initial three year period, with a possible extension to 20 years management.

The transfer of stock announced for South Australia is in keeping with developments in other jurisdictions, including Queensland. Over recent years governments have increasingly engaged in the large-scale transfer of stock, and/or the management of such stock, to social landlords. New South Wales, Tasmania, Victoria and the ACT have already transferred significant numbers of dwellings (Pawson et al 2013). Queensland has announced its intention to transfer the majority of its stock and State Government actions are consistent with the Australian Government’s aspiration to have up to 35 per cent of social housing managed by the community sector.

The intention of State and Territory Governments to transfer the management of housing from the public to the social housing sector has potentially profound adverse implications for local government. Importantly, such transfers may impose additional costs on local governments already serving some of the most disadvantaged communities across Australia, and this risk is amply demonstrated in South Australia. Housing stock transfers have the potential to adversely affect some South Australian local governments because the State Government has granted a 75 per cent rate exemptions to housing associations, on the grounds they are considered a community service. The Local Government (Accountability Framework) Amendment Act 2009 revised Section 161 of the Local Government Act 1999 and introduced the expanded definition of bodies eligible for the 75 per cent mandatory community services rebate to include registered housing associations. Individual local governments may also choose to provide a higher rebate at their own discretion.

The second important risk factor for local governments is the degree of concentration of public housing assets in particular regions—and therefore local government areas (LGAs). As Figures 3 and 4 demonstrate, public housing is concentrated in a handful of local government areas. Potentially these LGAs will be subject to a significant decline in rate revenues as Housing SA properties—which pay local government rates—are replaced by community-managed housing properties. Local governments will be forced to either raise the rates paid by other property owners or reduce services, or both.
The transfer of housing management responsibilities to associations raises a third important concern for local governments—the loss of potential redevelopment opportunities. The historical legacy of the clustered location of public housing has enabled the regeneration of neighbourhoods and an increased housing density and more balanced population profile. There is a concern that this regeneration potential will be dissipated and the task of engaging in redevelopment become more onerous when control of public housing assets is fragmented.
Figure 4: Public Housing Stock by LGA, Greater Adelaide, 2011

Source: ABS 2011
International Experience with Stock Transfers

Stock transfers have been used as a mechanism for promoting public housing in a number of nations over the last 30 years. The United Kingdom, Netherlands, Ireland, Canada, New Zealand, parts of Scandinavia and the United States have transferred substantial volumes of government-owned stock to community or non-profit providers in order to achieve the objectives of government. It is worth noting, however, that not all nations have pursued this course of action, with places such as Hong Kong and France maintaining substantial government-owned housing.

This section considers international experience with stock transfers, particularly as it relates to the impact on local governments and tenants. It examines the conduct and experience of stock transfers in the UK and the Netherlands, with the latter one of the first movers in this area, while the former has been well documented. Attention is paid to the financial and other arrangements that have underpinned the transfer process.

The United Kingdom

The United Kingdom was not the first nation to engage in stock transfers from public to community ownership and management, but its experience has been studied in considerable detail. As Pawson (2006) has argued, there has been a very rapid transformation of social housing in the UK since 1997 and the election of the Blair Labour Government. Stock transfer was incorporated into the housing policies of Major’s Conservative Government prior to 2007, but there was limited take up at the local level due to reluctance on the part of Labour-led Councils (Daly et al. 2007; Malpass and Mullins 2002). Local attitudes changed after 2007 when the government signalled it would not support additional public sector resources to improve or upgrade the housing stock.

Stock transfers in the UK take place within a very different context to that of Australia and there are probably three key points of difference:

- First, public housing was actively pursued as a solution to national housing shortages in the immediate post war period, with all political parties supporting its expansion. These policies remained until the 1970s by which time government-owned and managed housing accounted for 30 per cent of the total housing stock. Government-owned housing declined in absolute and relative terms from the mid to late 1970s after the Thatcher Government introduced ‘right to buy’ legislation (Paris et al. 2011). However, the stock of publicly-owned housing has remained larger as a percentage of all housing than in Australia;
• Second, government-owned housing has been owned and managed by local governments – councils – with financial support from the national government. The United Kingdom remains a unitary system of government with local government given the task of providing a wide range of services, including housing. Stock transfers, therefore, have taken place from councils to community-based providers and managers – housing associations – with the support of national government policies. The extent of some transfers should not be underestimated. A proposed transfer of stock in Glasgow resulted in more than 60,000 dwelling units moving from council ownership and management to housing associations.

• Third, social housing in the UK is supported by a national payment – Housing Benefit – that is relatively generous by Australian standards. Housing Benefit is paid to the household, with tenants of public, social and private landlords all eligible to receive this form of assistance. Critically, Housing Benefit provides a solid financial footing for tenancies, irrespective of the nature of landlord.

The UK was not the first nation to engage in stock transfer, but once adopted it embraced the policy with considerable vigour. Pawson and Mullins (2010) noted that the process of stock transfer saw a third of all council owned dwellings transferred to housing associations over a 20 year period and in one third of all local government areas all council-owned stock transferred to a social landlord. Some 1.4 million tenanted dwellings were affected – a substantial number in any context. The primary motive for stock transfer in the UK has been financial – as a mechanism to provide funds to address a backlog in dwelling maintenance and upgrading. Stock has been sold to housing associations using private finance, with the additional funding used to both secure title of the property and undertake repairs (Pawson and Mullins 2010).

Stock transfers have also been seen as a way of expanding the social housing sector: essentially creating a stock of assets that housing associations can use as equity in order to take out additional loans. Pawson (2006) notes that the overwhelming majority of housing associations in the UK that receive transferred stock – including newly created associations generated to receive the transferred stock – work on a business model that assumes a growing volume of debt in the early years that is paid off over 30 years. Stock transfer was also embraced in order to achieve policy objectives. Councils were eager to transfer stock as they found that they increasingly dealt with a more challenging group of tenants and some of their housing stock was difficult to let – even at very low rents.

It is important to acknowledge that stock transfers in the UK are subject to the agreement of affected tenants and councils. The proposed transfer of 80,000 dwellings in Glasgow (referred to
above) did not take place at the first attempt, largely because of an organised campaign of opposition that swung tenant sentiment. Kearns and Lawson (2008) observed that the Glasgow transfer was made more difficult by a number of factors including: the size of the proposed transfer – 80,000 dwellings; the magnitude of the fiscal task – £900 million and £4 billion in projected investment over 30 years; the use of a two stage transfer mechanism with ownership first passing to a single association and then on to a number of housing providers; and, the political significance attached to the transfer at both the local and national (Scottish) scales. However, most transfers have been relatively problem free with many councils embracing stock transfers as a mechanism for divesting themselves of potential liabilities – such as under-maintained housing – or as a way of encouraging urban regeneration. Sitting tenants have often been encouraged to support the transfer of stock to a housing association via rental guarantees that typically last for five years (Pawson and Mullins 2010). It is worth noting, however, that not all votes by tenants resulted in the acceptance of a stock transfer. Daly et al (2007) observed that a proposal in Birmingham failed because of a lack of political coherence locally, union opposition, the presence of an effective ‘no’ campaign, and a lack of tenant confidence in the Birmingham City Council.

There is some evidence to suggest that the stock transfer process has delivered better housing management for affected tenants, including improved housing quality, more timely attention paid to maintenance issues and greater levels of innovation – such as the introduction of Tenant Incentive Schemes (Jacobs et al 2010). The Joseph Rowntree Foundation (2009) generally reported good outcomes for tenants as a result of transfers, including rising standards of redevelopment and regeneration, success in meeting the commitments made at the time of tenant ballots to approve transfers, greater tenant involvement in decision making and management; and the creation of a more customer-focussed organisation.

The Netherlands

The Netherlands was one of the first nations to embrace stock transfers. A government White Paper in the early 1980s aimed to eliminate all municipal housing companies by 1996. In 1990 there were 213 municipal housing providers within the Netherlands, falling to 23 by the year 2000. Some local governments opposed the transfer process as they sought to maintain a safety net of government-owned dwellings within their jurisdiction. In the Netherlands the most common financial model used was the transfer of assets from municipal housing companies to housing associations, or a change in status for municipal housing companies to housing associations, with associations then free to use
their equity base to manage and/or expand their assets. This process was referred to as allowing the sector to ‘float free’, as central government loans were removed but an asset base was granted to the associations. To a large degree such measures have been successful with Priemus (2001 p 245) noting

... the Netherlands social housing sector has become fully dependent upon the private capital market and property subsidies for social rented housing have virtually disappeared. In general the housing associations have sufficient financial reserves to be able to invest without insisting upon a market-rate of return.

Murie and Priemus (1994) reviewed the experience of housing associations and concluded that the transfer of stock to these non-government providers furnished the platform for the on-going vibrancy of the sector. They compared this vibrancy with the declining and unstable social housing sector in the UK which had not – at that stage – embraced large scale stock transfers. The strength of the housing associations in the Netherlands under the housing transfer regime is underlined by the fact that they grew substantially, representing 41 per cent of the total housing stock at one stage. Housing associations were successful in the Netherlands because they have:

- operated in a buoyant housing market – especially in the first years post formation;
- substantial rental streams;
- the capacity to act as property developers; and,
- divested themselves of stock when it has been strategic to do so.

More recent developments have seen further change in housing policy in the Netherlands. The New Housing Memorandum 2000-2010 encouraged housing associations (holding 37 per cent of the total stock) to sell 500,000 dwellings into owner occupation over ten years. Priemus (2001) suggested that associations – as independent entities, with a strong financial position, were unlikely to be guided by the new national policy setting. Aalbers and Holm (2008) noted that the drive to sell off housing association stock was driven by four policy goals: to increase the rate of home ownership per se; to give citizens greater control over their home and housing environment; to match housing tenure to the government’s philosophy of privatisation and contribute to social goals such as the formation of privately-held property and equity. Aalbers and Holm (2008) noted that most housing associations in Amsterdam – where they own the majority of the housing – have slowly sold stock, but have done so at full market rates, thereby generating substantial yields. These surpluses have then been reinvested in new housing stock and the restructuring of the existing stock. The rate of sales has been slow – just 2,226 dwelling units over five years – across Amsterdam, with sales concentrated in the least desirable parts of the city.
Conclusions

The discussion of international experience with stock transfers has been limited to two – albeit high profile – case studies, the UK and the Netherlands. We can draw a number of conclusions from both:

- The shift from government-provided to community managed and owned housing has been largely successful in both instances;
- The two nations have used different models for stock transfer, with both using models that are more market-oriented and dependant than those indicated for Australia;
- There is no evidence of transferred stock being made exempt from local rates, taxes and charges; and,
- The shift to housing associations has facilitated urban regeneration and the expansion of social housing in both nations. Whether this could be replicated in South Australia – with a very different ownership structure – is open to question.
Australian Experience with Stock Transfers

When compared with some other nations, Australia has a much more recent history of engagement with stock transfers, particularly at scale. As recent research by Pawson et al (2013) has noted, two major factors have driven the rise in interest in stock transfers in Australia since 2007. First, governments have responded to the financial unsustainability of the public housing sector (Hall and Berry 2004) which in turn has driven a search for new ways to provide affordable housing. KPMG (2012) observed the finding of the Victorian Auditor General that the circumstances confronting public housing were critical and that the sector faced substantial challenges including:

- An unsustainable funding model and approach to asset management that placed the entire enterprise at risk;
- A lack of an overarching direction to public housing and the absence of a strategic approach to managing its portfolio of properties; and,
- A nonviable operating model, with costs in excess of income.

The KPMG (2012) report suggests that the financial challenges first identified by Hall and Berry (2004) have become more acute, generating a pressing need for substantial change. Second, the Australian Government has awarded considerable priority to the expansion of the community housing sector, arguing in the Council of Australian Government (COAG) that community providers should grow to 35 per cent of all social housing (Pawson et al 2013 p 1). In large measure, this aspiration was based on international experience. This approach to the future of the social housing sector has also been embraced by State Governments from both sides of Australian politics (Liberal NSW 2013). Bleby (2014) estimated that in 2003 the community housing sector managed 7 per cent of Australian social housing and by the end of 2014 the figure is likely to be 18 per cent, or about 77,000 dwellings.

Pawson et al (2013) noted that in Australia two types of change are covered by the label ‘stock transfer’: the first is ‘management outsourcing’ and involves the transfer of tenancy from the public sector to a community agency; and the second is ‘title transfer’ in which dwelling ownership passes to the community agency. Title transfers have been limited to New South Wales and Victoria. Pawson et al (2013) note that to date 21,279 dwellings have been subject to stock transfers, with approximately half due to the Australian Government’s Social Housing Initiative (SHI) introduced as part of the NB-ESP in 2008-09. Pawson et al (2013) estimate a further 10,000 dwellings may be transferred by the end of 2014 in Tasmania and Queensland. KPMG (2012) favoured stock transfers
including the transfer of title but potentially limiting some rights) as one part of the solution to the crisis confronting Victoria’s public housing sector.

Stock transfers to housing associations are therefore a relatively large phenomenon and one likely to increase substantially in the near future. Pawson et al (2013) suggest that the large scale management transfers scheduled for 2014 and beyond raise the potential to link reform in housing management with urban regeneration initiatives. Stock transfers, however, are confronted by real challenges. Jacobs et al (2010) noted that proposed transfers in New South Wales, Victoria and Tasmania have been contested, with some individuals and institutions rejecting them as a valid instrument of housing policy. Jacobs et al (2010) noted that various proposals were confronted by adverse media comment, the rejection of this policy position by some community groups and the formation of public campaigns to derail transfer programs.

Some commentators have argued that the community housing sector is held back by the reluctance of State Governments to transfer title deeds of stock, as well as a lack of specialist skills amongst operators. They also note the limitations associated with the small scale of most operators (Bleby 2014). Some larger providers have been the beneficiaries of title transfers and been able to finance the development of additional affordable dwellings and upgrade other facilities, but the sector remains dominated by smaller providers – which is argued to be the single largest constraint on growth in the sector. It has been argued that consolidation of community housing providers will provide greater capacity within organisations to manage larger housing portfolios, employ more sophisticated management teams and to invest in technology and systems. The lack of coherent government policy and the stop-start nature of stock transfers to date have also been identified as having a negative effect on engagement with commercial banks and lenders. It has been suggested to operate at scale, community housing providers should be responsible for at least 1,000 dwellings, but it is also recognised that it may be beneficial to support niche providers of particular services. The community housing sector recognises consolidation is likely (Bleby, 2014).

There remains a deep-seated concern amongst some members of the community that transfers represent the privatisation of the public housing stock – an outcome such commenters reject on principal. It is worth noting that such opposition can have critical impacts, with Pawson et al (2013) noting that tenants have to agree to have their tenancy transferred to a housing association. Their agreement has to be indicated by their signature on a transfer document. If they do sign their ascent to this transfer of management access to Rent Assistance is not possible and their refusal would effectively negate the financial model supporting this form of stock transfer. That said, Johnston
(2013) reported that most tenants who transferred their tenancy were largely happy with the outcome, though several experienced a disorganised process.

**Financial Considerations**

Financial concerns have been central to the willingness of State Governments to engage in stock transfer and the form of stock transfer pursued. As Pawson *et al* (2013) note, revenue maximisation has been one of the most important drivers of the stock transfer process across Australia:

> Converting public housing leases into CHP (Community Housing Provider) tenancies enables the tenants to apply for Rent Assistance (RA) payments, which, through associated rent setting changes, can increase provider rent revenue. Accordingly, transfers could boost landlord income by an average of around $52 per week per tenancy in 2012 depending on tenant eligibility and household composition (p 2).

The additional income potentially available to social housing provided through this set of arrangements is potentially critical: Hall and Berry (2004) estimated that on average State Housing Authorities faced costs of $77 per tenancy, but on average received $70 in rent. This gap would have grown over the subsequent decade.

Stock transfers carry clear financial benefits for State and Territory Governments, and this concern has also shaped the nature of the transition. Housing management transfers have been favoured over asset transfers in order to remove the potential for adverse impacts on State budgets. That is, publicly owned housing is an important asset on the balance sheets of all jurisdictions and its continued ownership by public sector agencies helps sustain positive credit ratings.

**Local Government Rates and Stock Transfers**

Local governments play an important role in managing urban environments, providing services to residents, and building communities. These activities are funded through a mix of sources including grants from the other tiers of governments; rates and taxes on land; service fees; and sundry other charges. Rate income is an important part of the revenue stream of all local governments, and in urban communities, residential property is responsible for both a significant source of income and a substantial proportion of outlays.

The Community Housing Coalition of WA has recently examined the issue of community housing and local government rates (2013) and a summary of their results is presented in Table 1 below. The data
show that most States and Territories provide rate exemptions for community housing. In large measure this is based upon the various Local Government Acts which advance the proposition that all land is rateable land, with the exception of Crown land and land used exclusively for charitable purposes. The term ‘charitable uses’ has been defined variously but is generally traced back to the Charitable Uses Act 1601 (Statute of Elizabeth I) which defines charities as those agencies that seek to: provide relief of the aged, impotent and poor; maintenance of sick and maimed soldiers and sailors; aid to schools and universities; and, the help of young tradesmen and handicraftsmen. This definition of charity has been sustained, being broadened somewhat by a judgement by Lord McNaghten (1891) that stated a legal charity was a trust for:

- The relief of poverty;
- The advancement of education;
- The advancement of religion;
- Other purposes beneficial to the community.

Table 1: Local Government rate exemptions for community housing associations – interstate comparison

<table>
<thead>
<tr>
<th>State</th>
<th>Legislation</th>
<th>Local Government Waiver</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA</td>
<td>Sub-section 161 (1) of the local Government Act 1999</td>
<td>75 per cent rebate (at the discretion of the council a higher rebate) for community service organisations.</td>
</tr>
<tr>
<td>Tasmania</td>
<td>Sub-section 87 (1) (d) of the Local Government Act 1993</td>
<td>Rates exempt for land or part of land owned and occupied exclusively for charitable purposes. The focus of the legislation is ‘occupation’ rather than ‘use’.</td>
</tr>
<tr>
<td>Victoria</td>
<td>Sub-section 154 (2) (c) of the Local Government Act 1989</td>
<td>Rates exempt for land used exclusively for charitable purpose.</td>
</tr>
<tr>
<td></td>
<td>Sub-section 169 (1) (d) of the Local Government Act 1989</td>
<td>Councils may grant a rebate or concession to support the provision of affordable housing to a registered agency (includes community housing provider (CHP)). Thus community housing providers do not automatically qualify as organisations which use land for charitable purpose.</td>
</tr>
<tr>
<td>NSW</td>
<td>Sub-section 556 (1) (h) of the Local Government Act 1993</td>
<td>Rates exempt for land owned by institution or charity.</td>
</tr>
<tr>
<td>ACT</td>
<td>Sub-section 8 (1) (b) of the Rates Act 2004</td>
<td>Rates exempt for benevolent institutions and buildings used exclusively for charitable purposes.</td>
</tr>
<tr>
<td></td>
<td>Sub-section 8 (2) of the Rates Act 2004</td>
<td>Excludes community housing purposes from the meaning of ‘public charitable purposes’.</td>
</tr>
<tr>
<td>Queensland</td>
<td>Sub-section 93 (3) (i) of the Local Government Act 2009</td>
<td>Discretionary power (lies with individual local government) to give a rates exemption.</td>
</tr>
<tr>
<td>NT</td>
<td>Sub-section 144 (1) (f) of the Local Government Act</td>
<td>Rates exempt subject to use (non-exempt purposes must be incidental).</td>
</tr>
</tbody>
</table>
The Community Housing Coalition of WA found that rates exemptions were applied inconsistently to community housing providers across local government areas ‘to the point where the same community housing provider is exempt in one local government area and pays full rates in another’. The Community Housing Coalition of WA felt that there was a need for greater guidance for local government in applying legislation. It also reported that there were mixed views amongst housing associations about whether they should pay rates: some – but not all – acknowledged that they used council services and that these services improved the quality of life of their tenants. South Australian local governments report a very different set of practices in the application of rate exemptions: it is the responsibility of local governments to give rate exemptions once they are notified of the transfer of properties to eligible institutions.

The Community Housing Coalition of WA acknowledged the difficulties associated with rate exemptions for housing associations, essentially acknowledging there are good grounds for both granting a rate exemption and for not granting a rate exemption. Their paper considered four options:

- Granting an exemption to all community housing providers;
- Granting a partial exemption to all community housing providers;
- Excluding community housing providers from exemptions; and,
- Granting exemptions to some community housing providers on the basis of their size or structure.

The paper did not canvas, however, the question of which tier of government should pay for exemptions once granted.

In New South Wales a review of the Local Government Act is currently underway. Deloitte Access Economics was commissioned by the Local Government Association of New South Wales to undertake a review of local government rating exemptions. As noted in the report, the 2008 Productivity Commission research into the revenue raising capacity of local governments found that as well as reducing local government’s rates base, rate exemptions affected local governments differentially. The Productivity Commission (2008) noted that the impact varies depending upon the
extent to which it is feasible (politically) for individual local governments to raise rates on non-exempt land. Other research by the Australian Centre of Excellence for Local Government has argued that while concessions for disadvantaged rate payers are appropriate, *local government rates represent 3.5 per cent of total tax revenue by all Australian governments*. Other spheres of government are better placed to “achieve effective income redistribution because they have both more income and a broader base of taxpayers across which to equalise than do individual councils” (Comrie 2013, in Deloitte Access Economics 2013, p 3).

Deloitte Access Economics reviewed rate exemptions from the principles of optimal taxation in a local government context: efficiency, simplicity, equity, sustainability, cross-border competitiveness and competitive neutrality. It is impossible to optimise each of these criteria and the challenge is to balance often competing considerations in an economically (and socially) appropriate fashion. It is up to policy makers to determine the weight of each criterion when determining the design of a rating system. Partial rate relief, as exists in South Australia, was considered by Deloitte Access Economics to better balance community benefits provided by the exempt institution against the benefits they receive from the provision of council services. South Australia’s clear qualification criteria for rates rebates (that community service organisations in receipt of rebates are not-for-profit, provide service below cost and do not restrict access to members) was highlighted as an example for emulation in the New South Wales legislation. One feature that is not in the South Australian legislation but exists interstate is for Council discretion in determining which institutions receive rate relief and the amount of rebates. However, it should also be recognised that this could compromise the principle of simplicity.

Deloitte Access Economics (2013) noted that rate exemptions are granted to land owned by the Crown that is not held under a lease for private purposes (s 555(1)(a) of the New South Wales *Local Government Act 1993*). While the New South Wales Department of Housing is exempt from rates it has made voluntary payments to local governments in lieu of rates for public housing. However, the ongoing transfer of management of public housing to community housing providers “limits the extent to which these payments can provide financial assistance to local governments” (Deloitte Access Economics 2013, p 26).

In relation to land used for charitable purposes, Deloitte Access Economics (2013 p 33) recommended amending the New South Wales legislation to:

- establish stricter qualification criteria to ensure rates exempt land is not used for commercial purposes, and
allow for a minimum rebate on applicable rates with additional rebates granted at council discretion, provided there is a demonstrable community benefit.

At the same time as these legislative changes are being considered to rates exemptions, the New South Wales government is evaluating options to grow the community housing sector to the 35 per cent target established by the Australian government. Currently there are over 30,000 community housing tenancies in New South Wales, which represents approximately 20 per cent of social housing in New South Wales. This number is largely the result of property transfers from Housing NSW. Over the last 20 years there has been a reduction in the number of community housing providers as a consequence of amalgamations, and the average size of community housing portfolios has grown from around 200 properties to almost 1,000 properties. Most transfers have been for management only, however some 3,100 title transfers have been finalised and a further 2,300 title transfers are in process.

At present in New South Wales there are no clear policy directions and the whole social housing system is under review. The NSW Federation of Housing Associations Inc has undertaken industry and stakeholder consultations to inform the New South Wales government’s reviews and has identified eight key elements of a community housing preferred approach to assist with large scale stock transfers in the future. The preferred approach of experienced community housing providers in New South Wales includes:

1) A clear government strategy developed with input from community housing providers which sets out the rationale for future stock transfers will make it easier for community housing providers to understand and respond to the government’s objectives and aspirations. A clear program and pipeline of stock transfers would allow community housing providers to better prepare responses to transfer opportunities, including formalising consortia or partnerships or amalgamating with other providers to pursue opportunities;

2) Two stage tender process with the first stage being an expression of interest (EOI) with low barriers for the preparation of responses. A full tender process would follow for shortlisted community housing providers. Some community housing providers also support an approach where properties would be allocated to individual community housing providers based on reasonable criteria and in a transparent manner;

3) Realistic requirements for private finance leverage, taking into account portfolio maintenance issues and the long term viability of community housing providers. Title transfers significantly enhances the leverage capacity of community housing providers;
4) The level of control community housing providers have over assets is a key issue to achieve the desired outcomes (e.g. leverage to generate new supply) of a transfer program, as is a well-defined process for negotiating asset issues with State Government. Where title isn’t being changed, properties need to be transferred for 15 to 30 years to strengthen community housing providers capacity to establish a business case to achieve both financial and social objectives over the length of their tenure;

5) Access to timely and comprehensive information about the state of the properties as well as a detailed tenancy profile (e.g. support needs, rental history, disclosure about high risk tenancies) in order to undertake due diligence and make informed commercial decisions. It is acknowledged there are privacy issues and that there are ways to provide information without revealing information which triggers privacy issues;

6) Effective and timely engagement with tenants prior to, and throughout, the transfer process. Community housing providers highlight the need for clarity and honesty about the transfer program and about tenants’ choices within the program’s parameters. An effective communications plan with tenants would provide helpful information about community housing as well as the overall change management strategy;

7) An unresolved question as property transfers increase in scale is the transition of experienced public housing staff to community housing providers. The main issues are salary differentials and accrued entitlements of Housing NSW staff;

8) Good practice evaluation frameworks are needed from the outset with clarity about program goals, in particular regarding tenant outcomes and financial indicators.

As noted in the Federation’s research paper, community housing providers do not solely deliver social and affordable housing, they are also deeply invested in their communities and are key partners with governments to address affordable housing supply.

In South Australia, the consulting group Sphere (2013) was commissioned by the Community Housing Council to examine ways to maximise the growth of potential of housing associations. This report concluded that local government rate rebates were important to the generation of a surplus from transferred stock and the creation of a capacity for further growth and:

Our modelling estimates that without council rate rebates the surpluses available to the 500 dwelling portfolio in our study halves. In practice this means a significant reduction of the portfolio’s capacity to grow (2013 p 2).

Perhaps more importantly, Sphere (2013) highlighted the potential importance of title transfer – rather than management alone – in enabling the further growth of housing associations. The report
concluded that if title transfer does not take place growth in the housing association stock will be negligible, while the transfer of 10 to 20 per cent of the stock would allow further growth of between 5 and 10 per cent. The paper also concluded that transfers of greater than 26 per cent would not lead to higher rates of new supply of social housing because of the constrained capacity of housing associations to service debt.

The work of Sphere (2013) raises important questions in that it underscores the impact of rate subsidies on the viability of housing associations. Other authors have made this point previously, with Hall and Berry (2009) noting that these exemptions were an important contributor to the continuing viability of community provided housing across Australia. They also noted that these financial arrangements were one of three factors (the other two being the use of voluntary labour and lower costs of depreciation and maintenance) that maintained the financial viability of the sector relative to the loss-making nature of public housing.

Conclusions

The discussion in this section has shown that Australia has a mixed set of experiences with respect to housing stock transfers, but that there has been a recent trend to the promotion of housing management transfers. In large measure this shift has been driven by both the policy preferences of the Australian Government and the desire of State and Territory Governments to solve funding dilemmas in public housing.

One of the most significant findings of this paper is that local government rate rebates on housing association managed properties appear to be near universal across Australia, though with possible variations in their application. It is notable that this issue, despite its currency across Australia, has not received a national profile.

Importantly, the shift to housing association managed accommodation is not simply a question of cost shifting: there appears to be a widely held assumption that such transfers will produce better tenancy outcomes and growth in the available social housing stock. Critically in the context of this paper, rate exemptions are seen to be an important part of the subsidy needed to generate growth in the longer term. The report by Sphere (2013), however, notes that without some title transfer such growth will be limited. This suggests there is the potential for a cost to be borne by local communities without consequent benefits with respect to new supply or regeneration of the physical environment.
Case Studies – The Experience of Australian States and Territories with Stock Transfer

To date virtually no attention has been awarded to the impact of public housing stock transfers on local governments in Australia. As the sections above demonstrate, there is a literature on housing stock transfers as a phenomenon and as a driver of change in community housing, but assessment of the impacts on local government are entirely absent. While the views – and challenges confronting – community housing providers are well documented, the issues that have arisen for local government out of this process have been granted no attention. This section considers the recent experience of Australia’s States and Territories with stock transfer. It presents the outcomes of fieldwork interviews in South Australia, Victoria, New South Wales and the ACT with a view to identifying both common themes and divergent elements within recent experience. The selection of jurisdictions to include in the study was based on the available resources and the degree of engagement with housing stock transfers.

The data presented in this section was derived from interviews undertaken in early 2014 with a range of stakeholders. This included representatives of Community Housing Federations, State Treasury officials, community groups and activists, senior public servants from departments of social services and public housing officials. The interviews also included representatives of local government associations and some individual housing associations. The precise composition of interviewees in each jurisdiction varied substantially, depending upon availability, the size and type of transfer process in that State or Territory and the level of interest in the topic. The data collection was undertaken as face-to-face semi structured interviews and in some instances this information was supplemented by telephone discussions or emailed sources.

A written survey was also distributed to the South Australian local governments who will be most affected by the transfer of housing stock. This survey set out to estimate the current size of the impact of stock transfers on these local governments; the potential size of transfers in each jurisdiction; financial impacts; the extent of rebates granted; the degree of concern within Council and the level of awareness of this issue within the broader community.

Case Study Findings

As noted at the beginning of this Report, this research set out to address five specific goals:
1. Explore alternative housing transfer models to those proposed by the South Australian Government;
2. Understand the fiscal impacts on councils of the proposed transfer;
3. Review the impact of transfers on urban regeneration potential;
4. Consider social outcomes, including the impact on community governance and capacity within social housing; and,
5. Determine how the transfer aligns with broader South Australian Government priorities and the financial sustainability of local government in this State.

The fieldwork set out to answer these questions – as far as practicable – by reflecting upon the experience of each jurisdiction and the results are presented under these five shortened headings:

- Alternative housing transfer models;
- Fiscal impacts to Councils;
- Impact on Urban Regeneration;
- Social Outcomes; and,

**Alternative Housing Transfer Models**

South Australia

There has been a great deal of debate in South Australia on alternative models for stock transfer with the non-government sector lobbying the South Australian government for a number of years for title transfer associated with stock transfer. It argued that such a transfer would generate economies of scale while increasing the asset base of community housing providers. Such assets would give them capital and revenue to enable further borrowings. The current scheme is based on a management-only transfer, with duration of transfer dependent upon program evaluation after three years. The South Australian Government holds that title transfer is also open if community housing providers can make a business case.

Informants felt that the South Australian government needs to communicate to councils throughout the tender process. There is an expectation in the tender process that community housing providers will engage with local government and demonstrate stakeholder engagement in the next stage of the process. It is also worth noting that some tenant groups are strongly opposed to stock transfer.
They hold up the existing public housing model as a viable and sound alternative to the transfer of social housing responsibilities to the community sector. They express concerns about tenure security, the risk of rent rises, the quality of stock, the prospect of religious organisations managing housing, equity in access to housing and their desire to see Housing SA policies and practices maintained.

Victoria

Local governments in Victoria have a degree of interpretative power with respect to the legislation granting rate exemptions. Yarra Council has moved away from providing rate rebates to a model of giving more limited grants to community housing providers. These grants are awarded on a competitive basis. *Titles, as well as management, have been transferred in Victoria.* In 2008 some 575 property titles were transferred to a community housing provider who already managed the stock. There are plans for future transfers with on-going research and policy development into housing policy levers identifying stock transfers as one option for the future of the sector.

Policy options suggested by one informant include allowing two to three community housing providers to partner to undertake a regeneration project. There could be a mix of title and management transfers, as well as new build, but it would be difficult. An interstate community housing industry representative thought the Victorian Government should pay 75 per cent of rate obligations and community housing providers 25 per cent. This division of rate burdens would allow community housing providers to build capital to expand social housing while not disadvantaging their host communities.

New South Wales

In New South Wales the titles of 500 properties have been transferred and community housing providers also have access to rate rebates which allow both growth and modifications to existing stock. At a broader level, stock transfer options in New South Wales have been evaluated by the government with a view to identifying what is best for the viability of community housing providers. Complex modelling has been undertaken in order to determine the best stock transfer program for community housing providers in order for them to be both financially viable to provide additional dwelling units.

Further stock transfers are proposed in New South Wales but both the legislation and policy framework are currently under review and it is therefore unclear when future tenants will transfer to community housing providers. The transfers will be based on past transfers and the NB-ESP experience. It is recognised in New South Wales there is a role for community housing providers in
building the market, but changes to social housing policy are needed and the final policy settings are still to be determined. It is unclear if the outcome will be vesting titles and/or management.

In New South Wales community housing providers outside the metropolitan area operate on a small scale. There is no public housing in some regional towns such as Tamworth and Hay, with only community housing providers offering affordable housing.

Australian Capital Territory

Stock transfer is not an active issue in the ACT, with public provision dominating the social housing sector. In the past the ACT has transferred stock to housing associations for management, but a subsequent Auditor-General’s report concluded that the arrangement effectively transferred control – and risk – to the community housing provider to such a degree that it was effectively a transfer of ownership. The Auditor-General required the transfer of title from the ACT Government to the housing provider. This action has dampened further engagement with transfers in any form in the nation’s capital.

Fiscal impacts to Councils

State Governments are encouraged to transfer stock from the public to the community housing sector in order to maximise Commonwealth Rent Assistance (CRA) payments. However, there is the possibility that CRA payments could be scaled back and the Australian Government could review their role in housing.

South Australia

Table 2 below highlights the fiscal impact of transfers on some of the councils participating in this research.
Victoria

Community housing providers were subsidised in the past by some councils with rates rebates, but councils have subsequently reduced, or removed rates rebates. It is within the power of each local government area in Victoria to provide a rebate but this is not a requirement. The NB-ESP resulted in 2,500 additional social housing properties being constructed in Victoria and in some local government areas community housing increased from 50 dwellings to 300 dwellings. This growth in social housing caused many local government areas to review their rate rebate policies. However there is no uniform policy across local government areas in Victoria.

New South Wales

In New South Wales community housing providers have been building and buying affordable housing rather than relying on stock transfers, but the question of rates and rate rebates has emerged as an important issue. Some local governments in New South Wales have rate exemptions for community housing providers, but others do not. The LGA-NSW is calling for a review of rates for charitable organisations and this is a direct response to the growth of the community housing sector. Rate rebates have made some local governments hostile to community housing expansion in their area with some councils intending to inform other rate payers that they are subsidising community housing provision.

In New South Wales rate rebates for community housing providers are negotiated on a council-by-council basis. If a rate rebate is offered it is then negotiated as to whether it is a full or partial rebate. In the past many councils did not see a great deal of social housing but the New South Wales planning scheme has increased provision for affordable housing, which in turn has facilitated the expansion of community provider. There is a real question as to whether rate exemptions will stay.

Australian Capital Territory

Rate exemptions are not offered in the ACT. As noted in Table 1, community housing providers are exempted from the general exemption given to charitable owners using properties for benevolent purposes.
Impact on Urban Regeneration

South Australia

Currently in South Australia there are approximately 5,000 to 6,000 community managed dwellings. Stock transfers offer the State Government the opportunity to increase the social housing stock without direct government outlays, as community housing providers can potentially leverage their rental income stream and build more stock. The possibility of urban regeneration has been an important issue for the South Australian Government as the initial transfer sites were chosen on the basis of their high concentration of public housing.

While local governments have expressed concern that the management transfer of old, and run down, housing stock could result in an effective moratorium on urban regeneration, State Government officials believed that barriers would not arise. They believed that the government would always allow for a degree of flexibility in management contracts, especially if a business case was made for the regeneration of an area. It is unclear, however, if such latitude is built, or will be built, into the contracts with community housing providers.

Victoria

Local governments in Victoria see the involvement of community housing providers in urban regeneration projects in a positive light. Local governments felt that rate rebates would not be an issue if agreements regarding community and place outcomes were in incorporated into the State’s transfer proposals. While the Victorian Government has undertaken some redevelopment, the community housing providers are seen to be more entrepreneurial and more likely to invest in communities. One informant noted that a community housing provider had gained air rights within the City of Melbourne and undertaken joint ventures with the private sector to develop apartments within the Docklands.

As the community housing providers have grown they have become more sophisticated and built capacity to be able to borrow and expand their portfolios. Seven community housing providers in Victoria have over 1,000 properties and can leverage for some community renewal, but not at a large scale. The Port Phillip Housing Association is one example of a larger community housing provider that has undertaken substantial urban regeneration – creating 210 social housing and private affordable dwellings in one project alone. However, while community housing providers have maintained properties and invested approximately 15 per cent of their revenues into their business their limited income streams and asset bases impose real limitations on their capacities.
They do not have the capacity, for example, to undertake a $100 million regeneration project. It was argued that community housing providers that are subject to local government rates can achieve organic growth, but cannot undertake large regeneration projects. Community housing providers have the capacity and are willing to take on loans for regeneration, but the scale of such action is limited.

New South Wales

In New South Wales there is an appetite for urban regeneration amongst community housing providers, but a number of financial and other barriers have limited activity. As noted above, the titles of some 500 properties have been transferred from the State Government to the NGO sector, and access to rate rebates should encourage the growth of, and modifications to, the existing stock. Short term leases have made it more difficult to leverage existing income streams into further development opportunities and some larger community housing providers are keen to expand their portfolios through joint ventures with the private sector. Development contributions and control, as well as density bonuses have been used to build more affordable housing stock.

Social Outcomes

South Australia

In South Australia all tenants transferred to a community housing provider receive a guarantee they will not be financially worse off. In addition, the tender process requires that community housing providers prove their capacity and professionalism in housing management. The tender process also requires that tenants’ leases will be honoured, with the provider maintaining existing terms and conditions. Generally tenants have accepted the proposed transfer provided that out-of-pocket rent stays constant, however, they often need an explanation as to the nature and purpose of community housing.

Some councils believed that the tender documents needed to include requirements with respect to place making and community development. They hoped that such requirements would allow Council to potentially reduce spending in those areas to balance the loss of rate revenue. It is important to note that the South Australian Government has not prioritised these matters in the development of an evaluation framework. The key performance indicators the State Government will use for community housing providers focus on how many tenants are Category 1, 2 and 3 within the waiting list. The community housing providers will also be monitored on expenditure on maintenance, with
a project evaluation to test more subjective key place making and community development outcomes. The State Government will also undertake a longitudinal study of local stakeholders and tenants. Other indicators relate to good tenancy management and partnerships with stakeholders, as well as support services provided to tenants, as well as to local government and community groups. South Australian community housing providers already have relationships with councils and a dialogue has been developing over a number of years. One informant offered the view that there is not a lot of animosity with existing community housing tenants.

The Housing Trust Tenants Association (HTTA) does not agree with what they see to be privatisation of public housing, and their concerns include tenants not receiving the services they require, the risk of fewer repairs and maintenance, and the possibility that community housing providers will be less accepting of pets or gardens. The HTTA argues that tenants do not want to transfer and can see no positive outcomes from stock transfer.

The HTTA is also worried that community housing providers make profits from public housing needs and that they may be selective of which tenants to house e.g. not taking Category 1 tenants. They saw a risk that community housing providers would pick the ‘best’ tenants and the remaining public housing would be used as a ‘dumping ground’ for people who require more intensive assistance and services. The HTTA foresees community housing providers aiming for profits and catering for certain groups of people, for example single males. The HTTA was concerned that recently a community housing provider advertised for tenants and a person not on the public housing waiting list was allocated a house. The HTTA was also concerned that a community housing tenant pays more rent than a public housing tenant.

Victoria

In Victoria some councillors are opposed to public housing stock transfers, partly because community housing tenants have felt vulnerable and this has influenced the general complexion of engagement with this issue. Community housing is considered by some informants as being akin to ‘private’ rental housing, with the provider seen as having no responsibility for social outcomes as tenants can be ‘cherry picked’ and can be evicted.

Local governments in Victoria generally identify other benefits non-government housing associations can provide to the community as a trade-off to a rates exemption, for example the community housing association may provide community facilities for all local residents to use. The community development requirements imposed on community housing providers has had positive outcomes in
Victorian local government areas. Councils have insisted that they must not be burdened with greater requirements for their services with no recompense.

New South Wales

Community housing providers in New South Wales argue that they are keen to have a relationship with local governments. Community housing providers undertake community engagement through neighbourhood meetings and on-going resident engagement. Some mid to large community housing providers provide student scholarships and bursaries to tenant students; some offer driving lessons and improve the local area thereby benefiting other residents in the local area. Community housing providers also make improvements to neighbourhoods by establishing community gardens. They also work to reduce social isolation by holding community BBQs where everyone in the local area is welcome. In some instances the community housing providers offer social services to both tenants and the wider community.

However, an alternative view put forward by some informants was that most community housing providers do not add to community services outside of their tenants, and some only mange the tenancies with no further community value-add. Community housing providers will not provide roads, libraries, etc. and local governments in New South Wales are not in a position to fund social welfare as public housing is often concentrated in areas of considerable social and economic disadvantage.

How Transfer Aligns with Broader Government Priorities and Financial Sustainability of Local Government

South Australia

Currently 88 per cent of social housing in South Australia is public housing and the policies of the State Government are informed by the view that a multi-supplier social housing system will stimulate innovation and provide tenant choice. Housing SA is progressively reducing public housing stock to a level that enables maintenance to be adequately funded. The South Australian Government established ambitious targets for the housing affordability in South Australia’s Strategic Plan 2004 but the most recent review of performance suggests that the State is unlikely to achieve its targets in the short, medium or long term.

The scale of stock transfer envisaged in South Australia is 1,000 to 5,000 properties over five years and it is expected that community housing providers will have 27 per cent of the social housing stock
by the end of transfer period. Initially the stock transfer will be for a three year period, with the expectation that stock will later be transferred for a 20 year lease.

Victoria

The Victorian State Government has devolved management of a significant portfolio of social housing properties but there remain concerns with the ongoing viability of community housing providers. From a State Government budget perspective, informants suggested that administrative savings from stock transfers are minimal. However, community tenants have access to CRA payments which mean savings for the State Government. One estimate valued this saving at up to $100 million per annum when compared with direct provision by the public sector.

The Victorian State Government invests $310 million in public housing which represents 19 per cent of the social housing system. In 2010 it was proposed to transfer stock worth $600 million to community housing providers but this did not occur.

New South Wales

Increasingly in New South Wales the State Government is transferring public housing to community housing providers and a number of social landlords are using provisions of the Local Government Act to claim exemption from paying rates. One informant noted that there is a dispute before the Land and Environment Court of New South Wales between a community housing provider and a local council on the issue of rate rebates. If the social landlord is successful there may be a 100 per cent rebate for community housing providers in New South Wales. Previously there was a clause in transfer documents that community housing providers had to accept payment of rates. Local governments in New South Wales are of the view that all land uses, regardless of ownership, should be rated appropriately.

In New South Wales the State Government has funded refurbishment and maintenance responsibility to bring housing up to standard and a density bonus is offered to provide more affordable housing units. Community housing providers can be charged rates and under section 94 of the Planning Act they can be charged an infrastructure contribution if social housing is defined as social infrastructure.
Outcomes of the Survey of Local Governments in South Australia

Tables 2a and 2b below provide detail on both the impact of stock transfers on the most affected – and potentially affected – local governments in South Australia and their assessment on the major challenges affecting them through this process. Figure 5 highlights the current fiscal impact of community housing in each participating local government area and the potential annual fiscal impact if all Housing SA properties were to be transferred. That is, the second column calculates the potential impact on local governments if all government-owned dwellings were to be transferred and receive the government-mandated rebate. While there is a diversity of opinions and experiences, a number of common themes emerge:

- Stock transfers have already had a significant impact on the revenue base of local governments, with potentially significant implications for their ability to provide services and support for their low income communities;
- More than 3,000 rate exemptions have been granted to community housing providers in the four LGAs of Salisbury, Marion, Onkaparinga, Playford, Port Adelaide Enfield and Charles Sturt;
- The rate exemptions for these six councils total over $3 million per year. Given that rates are an annual charge, the total loss of revenue is significant, with substantial implications both for cash flow and overall budget position. Clearly rate rebates erode the financial sustainability of the affected councils;
- The potential impact on individual councils is severe, with one estimating that up to $2.6 million per annum in revenue could be lost;
- There is clear evidence of both cost shifting from the State Government to local governments, and of community housing rate rebates exacerbating already significant challenges within communities, as one local government noted:

  The financial impact increases for our community each year particularly those on fixed incomes. Currently we have 16,526 or 24.44 per cent of our residential properties who are in receipt of State concessions. In addition, where properties are in receipt of mandatory and/or discretionary rate rebates the State withdraws the State pensioner concession. The whole exercise appears to be cost shifting from State Government to Local Government.

- Local governments noted that the rate rebate has compounding fiscal effects for Council and the broader community, with the cost burden associated with the Natural Resource Management levy affected by stock transfers and associated rebates;
• Councils have significant concerns about stock transfers ‘locking out’ urban regeneration projects in locations with prime potential for reinvestment.
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<th>Questions</th>
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<th>Onkaparinga</th>
<th>Charles Sturt</th>
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<tr>
<td>How many community housing properties are in your LGA?</td>
<td>448</td>
<td>612 - plus 3 properties vacant land.</td>
<td>Approximately 479.</td>
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<td>3,933 Housing SA and Aboriginal Housing properties</td>
<td>3,609 public housing properties.</td>
<td>4,691 Housing SA properties</td>
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<td>Have you been asked to provide community housing properties with rate rebates?</td>
<td>446 - rebates are granted upon application (City of Marion Rebate Application Form). Once application is received with supporting documentation, a determination is made based on the Local Govt Act 1999 Rebates section. If approval is granted the rates are adjusted to incorporate the rebate and an amended rates notice is sent to applicant. Mandatory rebates can be requested at any time during the financial year and must be applied from the date the property becomes eligible for the rebate.</td>
<td>612 properties were granted rebates. Properties meeting the criteria are identified by staff and the appropriate rebate codes are applied prior to generation of rates each year. A Rebate Application form is issued to the respective Housing Associations along with a list of the properties identified. This form must be completed and the properties verified as being used for the legislated purpose prior to the rebate being finalised and approved by Council for the year. Vacant land held by community housing providers does not receive rebates but can be given discretionary rebates by Council.</td>
<td>Yes approximately 399 in 2013-14. Rebates are given initially on application or if it is a known housing association. Council verifies eligibility each year via a letter and site visits if necessary.</td>
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<td>If so, how many?</td>
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<td>Can you please describe the process for giving rebates?</td>
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<td>Based on current figures, what is the fiscal impact of rate rebates for community housing properties on your council?</td>
<td>$388,408 which equates to 43 per cent of City of Marion’s total mandatory rebates. This is currently considered a moderate impact. The rates burden is increased for all ratepayers who are subsidising the housing association properties. This affects Council’s ability to balance service levels with the community’s capacity to pay.</td>
<td>The impact for 2013-14 for rebates for the above properties was $492,637 or 0.5 per cent of total general rates. This is considered to be a moderate impact on our communities. As the State has not identified how many properties will be divested in which council areas it is impossible to forecast the impact of this proposal. Given a worst case scenario (i.e. all current State housing transferred) the potential impact on our communities would be $2.62 million in 2013-14 terms. This would be a very major impact equivalent to an additional 2.7 per cent (approximately) rate increase on top of any annual increase due to CPI/LGPI, growth and/or major project and infrastructure requirements. Due to the numbers of residents in poor socio-economic circumstances these rebates are further impacting residents who are already struggling to meet their financial obligations. In addition Housing SA continues to transfer properties to eligible community housing providers on an annual basis and Housing Cooperatives have all but ceased to exist with their properties also absorbed by eligible community housing providers. As far as Council is aware these transfers of Housing SA stock are outside of the proposal to divest 5,000 properties across the State to community housing providers as there has been no dialogue with Councils</td>
<td>Approximately $440,000 in 2013-2014 is considered very major and is nearly equivalent to 0.5 per cent rate impost.</td>
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<td>Questions</td>
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<td>Is the transfer of public housing properties to the community housing sector an issue that concerns council? Or that concerns the broader community? Why?</td>
<td>Council is very concerned by the transfer of properties as the council is legislatively required to apply the rate rebate to all properties owned (or leased) by community housing providers. This will result in a significant increase to the rates burden on the rest of the community. Council is concerned this will result in rate payers, including those on fixed incomes, (pensioners) subsidising community housing that has previously been owned by the State Government and has been subject to paying full council rates. The City of Marion currently has 38,617 residential properties with pensioners (seniors) owning 8,431. This equates to nearly 22 per cent of all residential properties within City of Marion being owned by senior pensioners.</td>
<td>Yes this is of grave concern to council. The financial impact increases for our community each year particularly those on fixed incomes. Currently we have 16,526 or 24.44 per cent of our residential properties who are in receipt of State concessions. In addition, where properties are in receipt of mandatory and/or discretionary rate rebates the State withdraws the State pensioner concession. The whole exercise appears to be cost shifting from State Government to Local Government. As property values within Onkaparinga and other outer metropolitan councils are lower than in the closer Metropolitan council areas, growth in the supported housing sector is predominately aimed at the outer Metro area where expansion is more economical. This area is also home to lower socio-economic groups and results in the poor subsidising the poor. Numbers of supported housing in more affluent Metro area councils is minimal with little to no financial impact on their residents. Social housing should be a State responsibility with the costs of support spread across the State so all ratepayers are equally impacted.</td>
<td>Prime example of cost shifting from state government to local government without any off-setting revenue or relief to local government.</td>
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<td>Are you aware of proposed stock transfers from public housing to community control in your LGA? If so, how many and when is the transfer likely to occur?</td>
<td>City of Marion has been advised that 600 public housing properties held in Mitchell Park will be transferred to community housing providers during 2014-15 financial year. This will result in an increase in rebates of approximately $425,000.</td>
<td>Council has been advised by some community housing providers that further transfers from Housing SA will occur in 2014. Community housing providers do not know how many will be transferred, where they will be located or when the transfer will occur. The traditional time for stock transfers is end of – or beginning of – the financial year.</td>
<td>Yes – uncertain but Council is aware the number is significant throughout metropolitan Adelaide. Not sure of exact impact in our council in future years. Council is providing for this expense in our Long Term Financial Plan.</td>
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<td>Further comments</td>
<td>It is worth noting that the Natural Resource Management levy which Council collects yearly (on behalf of the State Government) is also subject to the rebate. The NRM Levy rate in the dollar is increased to cover the rebated portion. This is worn by the rest of the community.</td>
<td>All councils recognise the need for supported housing for those in need of such assistance. We do however object to the unfair impact on councils (particularly those in the outer Metro fringe) of recent legislative changes enforcing mandatory rebates in respect to community housing provider properties. This impact is now further exacerbated by the ‘growth’ of such housing in these areas. Further to this, depending on Housing SA’s final approach, in terms of the location and quantum of transfers, the leasing of Housing SA properties in areas with prime renewal opportunity such as Christie</td>
<td>Council estimates we may inherit 50 to 100 additional community housing properties in 2014-15 which will be eligible for a 75 per cent mandatory rebate.</td>
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Downs could be compromised. If Housing SA was to transfer the management of most, if not all of its stock in Christie Downs, this could affect Council’s ability (either negatively or positively) on the potential for urban renewal, at least in the short to medium term. Alternatively, we acknowledge that the transfer of properties to the non-government sector may open up funding opportunities for renewal. This matter is important to considerations around master planning and placemaking. However such issues require further analysis.

### Table 2b: Local Government Survey Responses (Playford, Salisbury, Port Adelaide Enfield, Whyalla)

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<th>Questions</th>
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<th>Port Adelaide Enfield</th>
<th>Whyalla</th>
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<td>How many community housing properties are in your LGA?</td>
<td>512 properties. 4,347 Housing SA and Aboriginal Housing properties</td>
<td>713 Approx. 7,000 Housing SA and Aboriginal Housing properties</td>
<td>5 (Unity Housing 4 and Wesley Country Housing 1) 2,000 Housing SA properties (approx.)</td>
<td>606 at 31 December 2013 3,700 Housing SA properties</td>
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<td>Have you been asked to provide community housing properties with rate rebates? If so, how many? Can you please describe the process for giving rebates?</td>
<td>Yes - all 512 properties. Council receives notification from the Valuer-General’s Department that ownership of the property has changed. Council assesses whether the property is owned by a registered community housing provider and if so then immediately applies the rebate in accordance with legislation.</td>
<td>694 rebates given – upon written application.</td>
<td>A 75 per cent rebate has been provided to Wesley. Unity has not sought a rebate so this has not been provided. An application form must be completed and provided to Council for consideration for a rate rebate.</td>
<td>Yes, all 606 properties. As these rebates are mandatory they are automatically applied once we are aware of the change in ownership or occupation.</td>
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<td>Based on current figures, what is the fiscal impact of rate rebates for community housing properties on your council? Do you consider this to be trivial, minor,</td>
<td>Rate rebates to current community housing provider properties results in a cost to Council of $484,000 per year. This is considered very major due to the impact on Council’s Long Term Financial Plan; Council’s Annual Business Plan; and the impact it has on rate setting.</td>
<td>Amount of rebates $440,674</td>
<td>Rebate amounts to $830.95. This is a trivial amount.</td>
<td>Approximately $530,000 in 2013-14 for the above properties, which equates to 0.7 per cent of general rate revenue. This is considered to be a moderate impact at this time, however, with ongoing need to contain rate increases, to provide continuity in service delivery, and significant reductions in funding</td>
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<td>moderate, major, or very major? Why?</td>
<td>Yes the transfer is of concern for the following reasons:&lt;br&gt;1. There is the potential the transfer will result in fragmented public ownership and this will inhibit Urban Regeneration (UR) of areas where this is a high priority and badly needed. UR is a priority for Council and without clear public ownership the complexity of achieving a program is more difficult.&lt;br&gt;2. It is not known if the new provider will see UR as a priority and therefore may frustrate the process of achieving a suitable UR program.&lt;br&gt;3. Council believes a concentration of disadvantaged people in small geographic areas is not conducive to a cohesive community. The areas that contain the highest concentrations of disadvantaged people will therefore require additional assistance which could be avoided through reducing this concentration.&lt;br&gt;4. The transfer of public housing stock also appears to lock in a single tenure type in the chosen transfer areas. Councils want to see a greater diversity of housing tenure throughout the LGA. Due to the existing concentration of public housing this transfer is likely to result in locking in one form of housing tenure and reduce the opportunity for achieving a greater diversity of households.&lt;br&gt;5. Council has a legislated requirement to provide a rate rebate to community housing providers. The cost of providing services to the area and the residents does not change. Therefore Council needs to consider either raising the funds from the transfer or some other form of funding.</td>
<td>The transfer is a concern for the financial impact that would need to be distributed amongst Council’s remaining ratepayers. Where there are properties that are receiving a mandatory or discretionary rebate the state withdraws the state remission (Pensioner Concession) shifting the expense from the State Government to Local Government.</td>
<td>Public housing currently represents about 20 per cent of total stock in Whyalla or about 2,000 properties. Providing a 75 per cent rebate on a significant number of these properties has the potential to severely impact Council’s revenue given the loss in rate income which may result from rebates provides. At the rate of approximately $830 per property, transfers in the range of 50 or more would begin to represent significant amounts of money that would have to be made up by the broader community. With Council’s significant infrastructure backlog, estimated at $50 million, loss in revenue capacity or having to divert rate increases to cover loss of income to provide community housing would jeopardise this program. Funding pressures from cost shifting of this kind would exacerbate revenue shortfall and hits to funding programs already on their way as a result of Australian budgetary proposed through the recent Federal Budget, our ability to continue to be financially sustainable is challenged.</td>
<td>This is a significant concern to the City of Salisbury and our community. Being a lower socio-economic area, with a significant number of Housing SA properties, we are very much at risk of having our low income rate payers cross-subsidising the rates of those who are in very similar financial circumstances. With 23 per cent of our residential ratepayers being pensioners the mandatory rebate is inequitable. This is cost shifting from the State Government, and is very unfair in that it hits some communities and not others, due to the uneven distribution of Housing SA properties. The City of Salisbury has 3,700 Housing SA properties, which generate approximately $3.2M in rates. If this stock was to be transferred, the rebates would be approximately $2.4M, which is a further 3 per cent rate impact for the balance of our community. Further to the financial impacts for the community, is the potential for this to adversely impact on urban renewal through fragmented ownership. Finally, our understanding is that the nature of tenants that Housing Associations will accommodate is not those most vulnerable and at risk in the community, and this leaves these people at even greater risk of homelessness.</td>
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| Are you aware of proposed stock transfers from public housing to community control in your LGA? If so, how many and when is the transfer likely to occur? | Yes - 500 properties in the City of Playford will be transferred in the first tranche which is likely to occur in January 2015. The second tranche is likely to have a further 4,000 properties transferred however it is not yet clear how many of these will be in the City of Playford. | No, not in our LGA but other LGAs, two transfer areas that have been identified are:-  
  • Elizabeth Grove/Elizabeth Vale transfer – City of Playford.  
  • Mitchell Park transfer – City of Marion. | Not aware of any current programs for wholesale transfers to occur. | Yes, we believe there are planned further transfers of properties held within the City of Salisbury, however, no timeframes or volumes have been provided. This reduces our opportunities to influence and manage these impacts. |
| Further comments                                                         | Council supports the concept of strengthening the Community Housing sector. Council also believes it is important that the location; style of housing; tenure and ownership arrangements are appropriate and help to strengthen the community in which they are located. If these elements are not adequately taken into account the potential exists for the transfer to have a negative rather than positive impact on the local community. It is not sufficient to simply transfer public housing stock if it is in the wrong location or not configured appropriately e.g. is in too high concentrations. These factors should be properly assessed prior to choosing the stock to transfer.  
  One of Council’s concerns is the potential to inhibit or prevent UR. This Council’s older suburbs require UR to maintain their physical and social viability. | When are notifications going out to Councils with more specific information to each Council in order to plan and budget for the transfer, given the financial impact?  
  Due to a change in legislation for mandatory community housing rebates in respect to community housing properties, this impact will now increase significantly with the transfer of Housing SA stock to housing associations.  
  Whilst the proposal benefits the housing associations being eligible for Commonwealth incentives with access to additional funds to improve and develop properties, a significant concern for Councils is the potential loss of opportunity in key | Generally, public housing is prevalent in LGAs which have higher representation of people within the lower socio-economic strata. While, as noted above, Whyalla has approx. 2000 Housing SA properties, this is down from a figure of approx. 5000 in 1990. There has been a vigorous campaign undertaken by Housing SA and its predecessors to divest stock over an extended period. While this has reduced the amount of public housing in the city, there are still substantial numbers of | We are concerned that the State Government had commenced transferring housing stock without any discussion / consultation with those Local Government areas most impacted. |
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<td>Council would like to see a proactive approach taken and to use this as an opportunity to progress UR. This will not happen without relevant requirements being built into the formal agreement to be signed between the successful tenderer and the State Government.</td>
<td>development areas to achieve regeneration and uplift these areas. From an urban renewal perspective, the fragmentation of ownership can present a serious impediment to coordinated urban renewal projects and opportunities to deal with longstanding land use interface difficulties.</td>
<td>dwellings which are owned or are being purchased by people with low incomes. Therefore, the capacity of a significant number of private home-owners to meet substantially increased cost, to enable subsidy of community housing occupants is reduced. Areas with the greatest amount of stock as a proportion of total housing stock will be especially disadvantaged should anything more than nominal transfer programs be adopted. Should it become the policy of the SA government to promote wholesale transfer, to meet budget imperatives, Whyalla would be severely affected and unable to meet basic service levels without outside assistance.</td>
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<td>In addition, the public housing stock transfer may be seen as an example of cost shifting from State to Local Government as a result of the 75 per cent rebate requirement. This in turn places Council in a difficult position of having to find the additional revenue required to maintain services to the community housing properties through rates or reducing services.</td>
<td>In areas where there is a reasonable concentration of Housing SA dwellings that are at the end of their economic life, the ability to deal with a single land owner, or the smallest number of land owners possible, significantly improves the chances of achieving a coordinated redevelopment outcome. It facilitates the negotiation process, widens redevelopment options and allows for the most efficient redevelopment of land through amalgamations.</td>
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<td>In areas where there is significant transfer occurring more detailed shared understanding between Housing SA and Local Government should have been achieved.</td>
<td>Single ownership by Government has been a major factor in the successful coordinated development of areas like the Westwood redevelopment. More recently, the longer term benefit of Government retaining ownership to facilitate renewal has been understood in the Kilburn / Blair Athol area where Housing SA has to date, deliberately held off disposing of properties so they can maintain as much ownership as possible to facilitate the area’s future regeneration.</td>
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<td>An example to the contrary is where some years ago Housing SA disposed of a number of properties close to dwellings which are owned or are being purchased by people with low incomes. Therefore, the capacity of a significant number of private home-owners to meet substantially increased cost, to enable subsidy of community housing occupants is reduced. Areas with the greatest amount of stock as a proportion of total housing stock will be especially disadvantaged should anything more than nominal transfer programs be adopted. Should it become the policy of the SA government to promote wholesale transfer, to meet budget imperatives, Whyalla would be severely affected and unable to meet basic service levels without outside assistance.</td>
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Questions | Playford | Port Adelaide Enfield | Whyalla | Salisbury
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the freight rail corridor and industry in the Taperoo area. The resultant fragmentation of ownership significantly reduced the options available to deal with long running and ongoing interface difficulties between residents and industry and freight rail.

In areas where there is little opportunity or need for coordinated renewal, for example where there is scattered Housing SA ownership interspersed amongst predominately privately owned land, the disposal of Housing SA properties is not problematic in this regard.

*Figure 5: Housing SA transfers fiscal impact - 2013-14 and approximate potential annual, selected LGAs*
Conclusions on Recent Australian Experience with Stock Transfer

The provision of rate rebates for community housing providers in Australia is a complex issue, made even more difficult to disentangle by the fact that policies and practices vary on a jurisdiction, by jurisdiction basis. While all States and Territories have strong incentives to encourage the expansion of community housing and transfer stock – with one Victorian estimate suggesting it generates up to $100 million in savings per annum – the rollout of such policies has varied significantly by location. Some jurisdictions have led this change, others have lagged behind. South Australia appears to have been relatively conservative in its uptake of this new policy paradigm, and there is therefore an opportunity to learn from the experience of others. In order to better understand these issues, fieldwork was undertaken in South Australia, Victoria, New South Wales and the ACT and we found that:

- Rate rebates for community provided housing are a major issue in all jurisdictions, and in practice not every State and Territory requires local government to provide them;
- In Victoria, some local governments are encouraging and assisting community housing providers through the provision of direct grants, allocated on a competitive basis;
- Community housing providers value rate rebates as it can allow them to generate surpluses that enable them to grow. But they are aware that they can generate tension with the broader community;
- There is a perception amongst some sections of society that they are most appropriately provided to the smaller social landlords. It is worth noting that the grants given by some local governments in Victoria to community housing providers tend to be directed to smaller providers. In part this reflects a desire to achieve wider social goals, such as supporting local organisations or assisting a disadvantaged community such as refugees;
- There is a case before the Land and Environment Court of New South Wales with a community housing provider arguing for a non-optional 100 per cent rebate on rates. The case could have substantial implications for the sector;
- The process of stock transfer appears to have stalled in the ACT, largely because of its fiscal impact on the Territory government;
- The evolution of social housing in Australia appears fluid, with major policy changes being considered.
Conclusion and Policy Implications

This Final Report set out to address five specific goals. It has sought to:

1. Explore alternative housing transfer models to those proposed by the South Australian Government;
2. Understand the fiscal impacts on councils of the proposed transfer;
3. Review the impact of transfers on urban regeneration potential;
4. Consider social outcomes, including the impact on community governance and capacity within social housing; and,
5. Determine how the transfer aligns with broader South Australian Government priorities and the financial sustainability of local government in this state.

To address these issues the research that informs this Final Report has:

- Reviewed the national and international literature on stock transfers;
- Interviewed key stakeholders nationally and collected data from some of the local governments in South Australia most likely to be affected by stock transfer;
- Reviewed policy documents;
- Held discussions with representatives of the community housing sector; and,
- Sought the views of public housing tenants and their representative associations.

Objective One: Exploring Alternative Housing Transfer Models to those Proposed by the SA Government

As noted above, the housing transfer model proposed by the South Australian Government involves the transfer of the management of public housing stock – and associated tenancies – while the State Government retains the asset. The management of the stock is effectively placed on a lease, with the community housing providers then able to:

a) gain access to Commonwealth Rent Assistance payments (via their tenants) and

b) receive a rate rebate from local governments.
Critically, there are alternative models that could be applied in South Australia. It is worth noting that internationally other models of transfer have been applied and have been very successful. In the United Kingdom and the Netherlands stock transfer involved the genuine transfer of assets and, while this has created challenges in some places, these have been overcome and the final outcomes have been worthwhile. In some instances, other jurisdictions in Australia have transferred titles, thereby enabling community housing providers to grow, improve their stock and provide a high quality service to their tenants. As some of the literature has noted, even the transfer of a small percentage of the stock – 20 per cent – would enable the further development of the community housing sector. It is notable that in jurisdictions where titles have been transferred community housing providers have the capacity to undertake urban regeneration and home building projects – adding value to their communities and increasing the supply of affordable housing.

**Objective Two: Understanding the Fiscal Impacts on Councils of the Proposed Transfer**

This research has shown that housing stock transfers have a significant impact on the financial sustainability of local governments in South Australia. The research finds that in some instances community housing provision and stock transfer has already reduced rate income by 0.5 per cent, with the potential to see income foregone rise to 2 per cent. The reality of local government financing is that lost income is recovered from other members of the community who are not exempt from rates – effectively requiring the local community to subsidise affordable housing within their neighbourhoods. This outcome is doubly inequitable because low income communities hold the highest concentrations of public housing eligible for transfer. Local governments also noted that:

- The compulsory provision of rate rebates moves the cost of supporting social housing from the broader South Australian community to the local council area;
- Rates exemptions for community housing providers also increase the impact of the Natural Resource Management levy on the remaining rate payers;
- Many local governments included in this study already have a substantial stock of community owned dwellings, and the stock transfer process will add to this total; and,
- The rate exemption effectively serves as cost shifting from state to local government.

It is important to acknowledge that there are alternatives to the current policy settings with respect to rate rebates. Evidence from the fieldwork suggests that rate rebates are more an exception rather than the norm across Australia. *There is clear evidence from both the literature review and the*
Fieldwork that mandated rate exemptions for community housing providers do not apply in Victoria, New South Wales, the ACT, Queensland and Western Australia. While community housing associations in South Australia welcome rate rebates as an opportunity to generate a surplus to finance further growth, the reality is that this measure engenders community resentment and serves as an impediment to the growth of the sector in the long term. If community housing providers are to receive a rate rebate, it would be more appropriate that they receive it from the state government as: redistributive functions best lie with the larger and more senior tiers of government; and, state governments receive a windfall benefit from the transfer of public housing as they no longer pay rates on properties they formally managed.

Objective Three: Review the Impact of Transfers on Urban Regeneration Potential

Councils in South Australia are also concerned that they have not received a definitive list of which properties are to be transferred and when. Councils under current legislation are required to prepare annual business plans and long term financial plans. The value and reliability of these plans is undermined by the uncertainty associated with possible stock transfers.

Local governments have expressed their concern that stock transfer may result in the loss of potential opportunities to redevelopment neighbourhoods in need of upgrading. They note that the South Australian Government intends to provide management leases for up to 20 years – 3 years in the first instance, with an extension after a period of review. In many instances the stock scheduled for transfer is older, is located in 1950s South Australian Housing Trust estates, and has considerable potential as a target of urban regeneration.

Fieldwork investigations showed that some larger community housing providers in other jurisdictions have been active in urban regeneration, but the scope of such activities is relatively small. In Victoria and New South Wales several interviewees expressed their concern that stock transfer may impede future urban regeneration activities, which suggests that this is a question across Australia as a whole and not just South Australia.
Interviews with South Australian Government officials suggested that the government would not put in place barriers to urban regeneration as it entered the stock transfer process. But despite such reassurances, we can only conclude that the reality of what it will be, or won’t be, possible to do with the transferred stock will largely come down to the details of the management contract. Without access to this documentation it is impossible to draw a firm conclusion. Instead, we can only reaffirm that there is a risk that stock transfers will erode the urban regeneration potential in some localities.

It is important to restate that the questions surrounding the potential for urban regeneration would largely disappear if the state government was to transfer title and not just management responsibilities. A transfer of title would give community housing providers both the incentive and the capacity to engage with large scale redevelopment projects.

**Objective Four: Consider Social Outcomes, Including the Impact on Community Governance and Capacity within Social Housing**

The question of the social outcomes associated with stock transfers has a number of dimensions. First, stock transfers as proposed by the South Australian Government impose an additional financial impost on the remaining rate payers in a number of low income communities across the state. This additional cost has inevitable social consequences. Second, stock transfers also have the potential to generate a sense of resentment in recipient communities, as reflected in the attitudes and actions of some councillors in Victoria. These are broad scale outcomes that may be difficult to measure or evaluate but are nonetheless significant.
At a more concrete level, discussions with representatives of public housing tenants demonstrate that there is a degree of concern about the stock transfer process and what it will mean for those transferred. This concern may result in a greater sense of anxiety, alienation and powerlessness amongst affected individuals. Fieldwork in Victoria and New South Wales noted that in some instances stock transfers have been accompanied by obligations to either engage in place making/community building activities, or provide services to the broader community. In the absence of independent evaluations it is impossible to accurately assess the impact of these requirements, but there is some evidence to suggest such measures have not always been successful. A number of local governments in South Australia felt the introduction of such requirements into the contracts of community housing providers would be a worthwhile step and they should therefore be given active consideration.

Objective Five: Determine how the Transfer Aligns with Broader SA Government Priorities and the Financial Sustainability of Local Government in this State

The South Australian Government’s proposed model of stock transfer is broadly consistent with its aspiration – as enunciated in South Australia’s Strategic Plan – to increase the supply of affordable housing in the state. Stock transfer assists with the financial viability of social housing and ensures those dwellings are available for future generations of high need households. On the other hand, the current model does not provide the optimal solution, as national and international experience shows that the transfer of title – for even a percentage of transferred dwellings – would result in expansion of the sector and potentially better housing outcomes for tenants.

The current model of stock transfer does not assist, in any way, the financial sustainability of local governments in this State. It reduces their capacity to raise their own revenue, at a time when the economy remains fragile, budgets are tight and financial grants from the senior tiers of government have been frozen. Removing the obligation to provide a rate subsidy would better serve low income South Australians by reducing the hurdles into home ownership, encouraging greater efficiency in provision by community housing providers and ensuring that local governments have the fiscal base to meet the service and other needs of their communities.

Finally, it is important to note that the recent Abbott Coalition Government budget has introduced a number of measures that may affect the social housing sector in the short, medium and long term. This includes the as yet unclear potential for State Governments to receive a 15 per cent incentive
payment on top of the sale of public housing assets, which may result in a significant shift in the nature of future stock transfers.
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