



## PUBLIC HOUSING

### ASSET MANAGEMENT STRATEGY

2012 – 2017

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## 1. OVERVIEW

Housing is critically important for our overall economic and social well-being. It provides the foundation on which individuals and families build stable, healthy and productive relationships with their communities and links to employment, education, health and other services.

Public housing assists Canberrans on low incomes to reach their potential, to make a contribution and to share the benefits of our community.

The role of ACT public housing has changed over time through increased targeting to those most in need. Although public housing tenants are subject to income eligibility criteria, affordability issues by themselves are no longer the key driver for eligibility for public housing and are considered in conjunction with one or more of the following issues:

- homelessness;
- mental health or medical issues;
- disability, including frail-aged carers;
- women and children escaping domestic violence;
- aboriginal and Torres Strait Islander people facing complex issues and private rental market discrimination or exclusion; and
- children at risk, including their parents and carers.

The public housing system is therefore about the provision of housing and community services to the most vulnerable members of the Canberra community.

These social policy aspects of public housing present challenges to the strategic asset management of the public housing portfolio. A contemporary and responsive asset base is necessary to ensure the best social inclusion outcomes are achieved for public housing tenants.

The Public Housing Asset Management Strategy must, of course, sit within the overall housing market in the ACT and in this regard Canberra has historically lacked the range and distribution of low cost stock of other larger metropolitan cities. Whereas previously public housing was used for public servants working in Canberra, now 91 per cent of public housing tenants are on rental rebates. The ACT has retained a higher proportion of public housing stock than other jurisdictions.

The major responsibilities of the Community Services Directorate in relation to the asset management of the public housing portfolio are to:

- strategically manage the public housing portfolio for the ACT Government; reduce concentrations of disadvantage through public housing redevelopment; align the portfolio with changing social structures and tenant needs;

- respond to environmental standards particularly in the areas of energy and water efficiency;
- protect the Territory's investment in its public housing assets through preventative and regular maintenance and upgrade programs;
- provide sustainable tenancies and build stronger communities; and
- leverage the asset base through private sector partnerships and use the value of the asset to assist in restructuring the portfolio.

Development of a public housing asset management strategy cannot be considered in isolation, but must be seen in the context of the development of a broader strategy for the expansion of social housing in the ACT in a way which improves the range of housing choices available to ACT residents.

The Government is equally committed to the expansion of the community housing sector and has put in place initiatives under the Affordable Housing Action Plan and the Nation Building and Jobs Plan to support the growth of that sector.

The consolidation and growth of a viable and flexible social housing system is essential for the provision of affordable housing in Canberra, and is a necessary element in any broad based approach to meeting the diverse range of peoples' needs in the ACT. The

Government is therefore committed to public housing as an important strategy in alleviating poverty and social disadvantage in our community.

## 2. THE CHALLENGES

The Government provides public housing accommodation and support for just over 23,000 people in the ACT in 11,859 dwellings (at 31 October 2011), dispersed through the ACT metropolitan area.

Ensuring that the number and type of public housing stock meets the needs of the ACT Community poses a number of challenges.

### 2.1 Age of stock

Most public housing in the ACT was constructed by the Commonwealth to accommodate large numbers of public servants who were transferred when Commonwealth Departments were being established in the ACT. Much of this stock was constructed from the 1950s through to the 1980s.

The average age of the ACT's public housing stock is just over 29 years. This is the oldest public housing portfolio in Australia, with consequent impacts on repairs and maintenance requirements.

Table 1: Age profile of public housing stock (March 2011)

	<10	10-19	20-29	30-39	40-49	50-59	60-69	70-79	80+	Total
No. of	751	1 807	3 293	2 158	1 446	1 756	279	110	29	11 629
% of portfolio	6.46	15.54	28.32	18.56	12.43	15.10	2.40	0.95	0.25	100.0

Old and inappropriate properties that no longer suit the needs of tenants are sold, with the timing dependent on tenant vacancies or sale to tenants. Planning and heritage constraints can affect both the saleability of properties, as well as revenue received from sales.

In 2010–11 the sale of properties yielded net receipts of \$40.6 million. The sales included 53 properties sold at auction and 20 properties sold to tenants through the sale to tenant and shared equity schemes.

Despite the disposal and construction/acquisition programs, the portfolio continues to age. This places pressure on maximising revenue from the sale of stock, with the need to target properties which deliver high returns from their sale.

### 2.2 Demand for public housing

There has been an increase in the size of the public housing portfolio since 2008 from less than 11,500 to just under 12,000. The stock numbers were influenced by the Australian Government's Nation Building and Jobs Plan initiative which was a response to the global financial crisis of 2009. Under the Economic Stimulus Package, \$87 million was allocated to

the ACT for the construction of properties. Some 421 properties were constructed under the plan. This has gone some way to meet the growing demand for public housing.

The most direct measure of current demand for public housing by eligible households is the waiting list. A recent review of the waiting list found that although standard housing wait list applications have declined, both high needs and priority housing applications have increased significantly. This has contributed to a 31 per cent overall increase in waiting list applicants between financial year 2006-07 and financial year 2010-11.

(It should be noted that waiting lists are influenced by changing policy decisions, eligibility requirements and from time to time, the removal of people who are no longer eligible or have found accommodation elsewhere.)

Table 2: Housing application waiting list

	2006-07	2007-08	2008-09	2009-10	2010-11
Applicants housing	1 213	1 098	1 589	1 380	1 590
Priority housing	18	32	88	69	148
High needs housing	568	728	1 015	881	927
Standard housing	627	338	486	430	515

In 2010–11 there were 659 new tenancies created, placing approximately 1,568 people in public housing. Of these, 98 per cent were priority and high need allocations. Tenancy transfer also prioritises those most in need and of the 303 undertaken in 2010–11 (701 people), 76 per cent were priority and high need transfers.

As shown in the table below it is estimated that the demand for public housing will continue to grow, with the strongest growth in single person households and couple families without children.

Table 3: Forecast demand for public housing (CSD projections)

	2010	2015	2020	% change 2010-20
Couple families with children	462	463	474	2.6
Couple families without children	836	944	1 035	23.8
One-parent families	2 255	2 410	2 557	13.4
Group households	1 738	1 796	1 830	5.3
Single persons	5 709	6 417	7 054	23.6
Total	11 000	12 030	12 950	17.7

On 2010-11, 1,045 public housing tenancies ended, a decline of 12.6 per cent since 2006-07.

Table 4 shows the decline of tenancy terminations and the reasons for termination.

Table 4: Reasons for tenancies ending

	2006-07	2007-08	2008-09	2009-10	2010-11
Transfers	425	385	423	318	400
Private rental	255	163	194	198	176
Deceased tenant	105	107	106	104	109
Nursing home/aged	22	69	73	69	67
Abandoned property	99	66	51	62	38
Home ownership	20	30	35	35	25
Sale to tenant/shared	41	47	12	29	20
Eviction	31	27	18	11	16
Vacated - no reason	189	199	167	195	174
Other	9	0	0	5	20
Total	1196	1093	1079	1026	1045

In some part this shows the success of the approach to sustaining tenancies, with reduced evictions. However it also shows the decline in people exiting into private rental, and the increased numbers exiting into aged care facilities (as would be expected from the ageing clientele of public housing and the broader Canberra community).

The program of modifying dwellings to suit the needs of tenants, as the tenants grow older, continues. New dwellings are constructed in such a way as to maximise their liveability and adaptability for existing and future tenants. Common features include wider doorways and corridors, hobless showers and no steps to get into the dwellings. In addition to meeting the needs of clients who require such specific accommodation, it improves the flexibility of the public housing portfolio to respond to changing demographics.

### 2.3 Matching stock and demand

At 31 October 2011 there were a total of 11,859 public housing dwellings, comprising:

- 132 bedsitters;
- 2,101 one bedroom properties;
- 3,629 two bedroom properties;
- 4,994 three bedroom properties;
- 822 four bedroom properties;
- 173 five or more bedroom properties; and
- 8 boarding houses (inclusive of the dwellings in the Aboriginal and Torres Strait Islander Boarding House network).

The property requirements for people in need of public housing continues to change. The number of people seeking 2 or less and 4 or more bedroom housing is growing while those seeking 3 bedroom housing is falling.

Recent data shows that 53 per cent of applicants seek two or less bedrooms, with 26 per cent seeking three bedrooms and 20 per cent four or more bedrooms.

This change in demand reflects a number of factors. The growth in demand for smaller properties, for example, reflects the growth in the number of older people requiring public housing and an increase in the number of single parent families and single person households.

While the proportion of 3 bedroom properties (42% of the stock) no longer reflects the demand (26% of applicants), realigning the stock takes time. The movement of people through three bedroom properties is slower than through other properties, and three bedroom properties are able to be allocated to a broader range of tenants.

In terms of public housing flats, these comprise 22 per cent of total housing stock. Of these, 83 per cent are located in Multi Unit Properties (MUPs) - public housing complexes that consists of more than 40 units. The ageing portfolio with its high proportion of MUPs no longer matches the profile and needs of contemporary applicants. This contributes to pockets of disadvantage and high refusal rates and transfer requests.

#### 2.4 Dwelling location

The spread of stock across the Territory is one of the most positive features of the portfolio. Public housing tenant satisfaction surveys have consistently shown that there is a high satisfaction with the location of properties.

The portfolio has to respond to changing needs, household structures and growth patterns of the Canberra community, such as the growth in Gungahlin and the Molonglo.

The utilisation of undeveloped land throughout the older suburbs has also proved to be an effective strategy for the renewal of public housing stock. The success of the Economic Stimulus Package can in part be attributed to the utilisation of community facility sites in the suburbs of Bonython, Chapman, Conder, Curtin, Florey, Macquarie, Kambah and Rivett. This process allowed tenants occupying larger properties to relocate to dwellings that are more suitable to their needs and are more affordable to manage and run.

In the inner-north and inner-south the Government will continue to redevelop existing areas of high concentrations of unsuitable holdings in some areas and replace them with stock in the redeveloped sites and in the newer suburbs.

#### 2.5 Capital investment and revenue

The public housing portfolio as at 30 June 2011 had a value of \$4.3 billion. This makes it one of the Territory's largest assets. The capital program is generally in the range of \$40 to \$50 million per annum.

Capital expenditure is funded primarily from the proceeds of property sales, with a modest contribution from a small operating surplus. The revenue received from property sales must

be sufficient to rejuvenate the stock and at the same time meet the ACT Government's commitment to maintenance of public housing stock numbers, and address the aspirational target in the Parliamentary Agreement with the ACT Greens Party of growth in public housing to 10 per cent of Canberra's total number of dwellings.

Like all jurisdictions, public housing in the ACT is targeted to the most vulnerable people. Although this is an established public policy it does present issues that need to be managed:

- reduced rental revenue when considering the income profiles of tenants, and compared to other cohorts in the community - approximately 91 per cent of tenants receive a rental rebate;
- increased expenditure to respond to the increased complexities of the public housing tenant population (e.g. maintenance, modifications, standards of construction, management of tenancies and provision of services); and
- aligning the portfolio to better accommodate the needs of tenants and to reduce concentrations of disadvantage.

Public housing in the ACT is targeted more than any other jurisdiction. This means that tenants have higher and more complex needs and are more likely to remain in income support. Some 91 per cent of public housing tenants are on a rental rebate. With rebated rents effectively less than 20 per cent of income, costs will inevitably increase more than revenues.

The complexity of this tenant group also places upward pressure on the cost of providing the necessary level of support.

## 2.6 Multi-unit sites

Of the total housing stock, 64 per cent are houses and 22 per cent are flats. Of the flats, 83 per cent are located in MUPs such as the Northbourne Flats (Braddon and Turner) and Gowrie Court (Griffith).

While several of the MUPs are in high value locations and are well located near shopping centres and public transport, they can be subject to problems, with many being over 40 years old and requiring high maintenance. They are limited in the types of households they can accommodate and may not comply with current standards or building codes.

They are also not the most appropriate allocations for clients with high and complex needs, who will often require increased levels of support from community agencies and Housing ACT to sustain tenancies, and are often sites where these complex needs can cause impacts on the community.

Some of the MUP sites under-utilise the land on which they are built, are affected by planning or heritage constraints and are located next to vacant unused blocks of land.

The MUPs are generally subject to higher vacancy rates and refusal rates than other housing properties.

Housing ACT has implemented programs which are designed to encourage public housing tenants to apply for dwellings available for immediate allocation in locations such as Oaks Estate and Northbourne Avenue. While the program has had some success, offers of these properties are frequently refused.

Earlier redevelopments of multi unit sites include McPherson Court (O'Connor), Condamine Street (Turner) and Lachlan Circuit (Barton). These resulted in improved social and urban design outcomes but returned only 15 to 18 per cent of the original stock numbers (either on site or purchased from sales revenue). More recent developments, including redevelopment of the former Burnie Court and Fraser Court sites, have substantially increased the return.

More recent redevelopment initiatives include the Currong, Bega and Allawah Apartments. In November 2011 the Government released a draft variation to the Territory Plan to permit redevelopment of the site.

On the site of the Northbourne Flats (in Turner and Braddon), a national design competition for the redevelopment of the site has been finalised. The Government is working with the winning architect on a master plan for the area.

Further north on the avenue, at the Northbourne Precinct (Lyneham and Dickson), The Government is working with the architectural firm Ancher/Mortlock/Woolley to secure ACT Heritage Council support for the redevelopment of the precinct.

## 2.7 Maintenance and energy efficiency

In 2010-11, \$43 million was spent on repairs and maintenance of public housing. The repairs and maintenance program included funding for responsive repairs (break downs and damage) and for planned maintenance (internal and external painting and wet area replacements). Under the planned maintenance program, works were delivered to 1,111 properties. In addition 137 modifications were made to properties so that the tenants could remain in the properties.

Table 5: Total maintenance expenditure (Including management fees and other initiatives)

	2007-08 \$m actual	2008-09 \$m actual	2009-10 \$m actual	2010-11 \$m actual	Change (%)
Responsive	11 458	12 722	13 351	11 265	-1.7
Planned	23 104	31 175	30 221	31 661	37.0
<b>Total</b>	<b>34 652</b>	<b>43 897</b>	<b>43 572</b>	<b>42 926</b>	<b>23.9</b>

In 2007–08 the ACT Government committed \$20 million over 10 years to improve the energy efficiency of public housing. Since then, improvements have been undertaken to 3,100 properties, about 26 per cent of the public housing portfolio. The energy efficiency measures include ceiling and wall insulation, draft sealing and installing gas and electric boosted hot water systems.

In the 2011–12 Budget an additional \$8 million was provided over four years to expand the existing programs to improve the energy efficiency of public housing stock. These programs will improve the financial well being of tenants through lower energy costs.

The design brief for public housing dwellings has also been updated to ensure that all houses achieve a minimum of a 6 star energy rating and that high energy efficient appliances are installed. So far, over 400 properties which have been built have achieved a 6 star energy rating.

## 2.8 Heritage

Heritage precincts in which the Community Services Directorate owns a number of properties may preclude some types of development (e.g. sub-dividing blocks for dual occupancy development, or conjoining adjacent sites for aged person's accommodation).

A number of MUPs have been nominated for listing on the ACT Heritage Register. If the registration was to proceed and all of the MUP was listed this may require the retention of potentially unsuitable stock in perpetuity.

Housing ACT continues to work with the ACT Heritage Unit and the ACT Heritage Council to consider future sustainable options and constraints in relation to properties of heritage significance.

### 3. RESPONSE TO THE CHALLENGES

The Government has developed a set of asset management principles in response to the challenges outlined above. The principles are based on the assumption that maintaining a viable public housing portfolio is integral to meeting ongoing needs for affordable and appropriate housing for those people in the community unable to access alternative suitable housing options.

The principles recognise that asset management of the portfolio must be informed by and consistent with the Government's overall policy objectives for public housing.

#### Principle 1

*The larger concentrations of public housing will be progressively redeveloped ensuring the stock is well located across the city, and in areas with good access to public transport, employment, education and services.*

The challenge is to restructure the stock to meet the changing demographics and increasingly complex needs of clients.

This involves disposal of all assets which are older and more costly in terms of maintenance and capital refurbishment as well as assets not being used or surplus to housing needs.

Much of this stock is located in the inner-north and inner-south, where turnover of vacancies is relatively low.

The Government will undertake a rolling program to dispose of poorly performing Multi Unit Properties (MUP), optimising the return of public housing units on the development site and in other developments, with the aim of:

- Reducing concentrations of disadvantage;
- Aligning the public housing portfolio with tenant needs; Optimising the value of the asset;
- Providing better housing for existing and future tenants; and
- Improving the 'look and feel' of the metropolitan area.

The first stage of the rolling program will include:

- Bega and Allawah Court and Currong Apartments (Braddon and Reid); The Northbourne Flats (Braddon and Turner); and
- The Northbourne Housing Precinct (Dickson and Lyneham).

Redevelopment of public housing properties, especially MUPs, will include at least a one-to-one replacement. (Some temporary reduction in stock numbers may result through the redevelopment of properties.)

Other elements of this principle are:

- To increase stock levels in locations that have property value growth potential such as along major public transport routes;
- A preference to construct public housing dwellings, though properties may be spot purchased to meet demand;
- The early acquisition of land from the Land Development Agency to enhance development of public housing in greenfield areas;
- To pursue redevelopment opportunities as permitted under the Territory Plan; New housing will be energy efficient, accessible and adaptable, meeting liveable housing design requirements; and
- Proceeds from the sale of properties will be returned to the housing budget for use in the capital program.

## Principle 2

### *Provide sustainable tenancies and build inclusive communities*

Public housing will continue to be 'salt and peppered' across the city with good connections to employment centres, public transport networks, social infrastructure and community centre and family support networks. This contributes to sustainable tenancies and to a healthy and diverse community. It provides housing stability and security for the unemployed, disabled and disadvantaged in the community. This helps to break the cycle of poverty and homelessness.

Public housing tenants with the financial capacity will be encouraged to move to the private sector or to purchase the property in which they are living. The Sale to Tenant program and the associated Shared Equity Scheme will continue to provide opportunities for full market renters to move out of the public housing sector.

Development decisions will promote mixed ownership. This includes a range of groups such as owner-occupiers, private renters, community housing, student accommodation and public housing in particular areas, especially where public housing is to be retained as part of an MUP redevelopment.

Consistent with the objective of moving out of MUP developments, concentrations of public housing should be avoided, although higher levels of public housing would be appropriate where the tenancy base is for older public housing tenants or for people with a disability or in managed communities, such as 'Intentional Communities'.

## Principle 3

### *The stock must be sufficiently flexible to respond to ongoing and emerging social housing needs, including provision for clients with special needs.*

Secure and stable housing must be able to respond to the diverse needs of eligible applicants. Housing assistance will be directed to those experiencing the highest levels of need.

Initiatives under the Government's Affordable Housing Action Plan will be supported. These will include the supply of properties available at an affordable rental.

Housing for Aboriginal and Torres Strait Islander people will be expanded and existing housing improved, including the use of extensions to provide accommodation that better meets their needs.

The Government is committed to ensuring that the social housing system of both public housing and community housing provides sustainable and flexible options for those in housing need. Under the Affordable Housing Action Plan, the ACT Government has made available a \$50 million revolving finance facility with CHC Affordable Housing, to enable around 1,500 new affordable dwellings for sale and rent within 10 years. This has recently been extended by a further \$20 million. CHC Affordable Housing also received 135 public housing dwellings to provide community housing in the ACT and increase their asset base.

Community housing providers will continue to be supported through the Office of the Registrar of Not for Profit Housing Providers and the National Registration Legislation.

#### Principle 4

*The portfolio will be maintained to established condition standards to ensure appropriate amenity and safety for tenants and to preserve the value of the assets.*

Well directed maintenance expenditure will help to deliver the overall housing strategy, as well as protection of the asset and community safety.

Stock condition audits will continue to be used to make decisions on maintenance requirements and capital refurbishment. These audits will help to determine the holding strategy for properties (i.e. retain, upgrade and retain, maintain short to medium term, redevelop, or dispose).

A planned maintenance program will be prepared annually using the stock condition information to prioritise expenditure. The maintenance program focuses on improving the physical amenity and safety of public housing stock.

Major upgrading works will only be undertaken where there is value-added to the property and will be based on a value for money analysis. An exception will be for disability modifications.

The standards applied to public housing properties will be reviewed on a regular basis to ensure consistency with community standards.

#### Principle 5

*The public housing system will be managed efficiently and cost effectively, providing best value to the Government.*

The manner in which the Government manages the public housing portfolio influences how effective it is in meeting the demand for housing assistance. Targeting the most vulnerable people who are eligible for public housing presents financial challenges that need to be managed.

It is necessary to build, acquire, adapt, maintain and trade assets so that they increase in value and provide an optimal return.

Asset decisions will be based on sound financial analysis to ensure the value of the portfolio

is maximised. Flexibility will be applied to ensure appropriate geographic distribution of the stock, and to cater for the special needs of some housing tenants.

Joint ventures may be tested as a mechanism for redeveloping some of the large multi-unit sites.

Appropriate market advice will be sought and analysed as part of the decision making process.

#### **4. PERFORMANCE MONITORING AND EVALUATION**

The Community Services Directorate will develop and report against performance indicators. An annual report will be provided to the Minister for Community Services on the performance of the Community Services Directorate.

Performance indicators will include the following:

##### Rejuvenation of stock

- The average age of the stock, and percentage older than 40 years
- Number of properties sold to tenants
- Percentage of stock within 200 meters of a local, group or town centre, or educational facility
- Percentage of tenants on rebate, and value of rebates as percentage of market rent
- Number and type of properties sold by area
- Number and type of properties bought or constructed by area
- The refusal rate for houses, units and older persons accommodation
- Churn rates across the portfolio
- The match between type of dwelling and preferred area, with requirements of applicants
- Client satisfaction with dwelling amenity

##### Building sustainable communities

- The number of dwellings in complexes of 40 or more public housing units;
- The number of public housing dwellings in buildings which include non public housing residents; and
- The percentage of cases of relocation referred to appeals process or to the Minister

##### Flexibility of stock to meet needs

- Total stock numbers;
- Number and percentage of properties catering for people with special needs; Number of dwellings by size and accommodation type; and
- Proportion of allocations to priority approved applicants

##### Targeted maintenance

- Number and percentage of properties assessed as meeting condition standards and the change from year to year;
- Percentage of maintenance funds spent on responsive repairs compared with planned and programmed maintenance;

- Maintenance expenditure as a percentage of current asset value;
- Vacancy turnaround times;
- Average cost of capital upgrades per property; and
- Client satisfaction with the condition of homes

#### Value for money

- Average cost per tenancy/dwelling;
- The notional and actual yield on investment;
- Number of joint ventures with the private sector, and other innovative delivery mechanisms; and
- The change in the value of the portfolio year to year.

## **5. CONCLUSION**

Safe, appropriate and affordable housing is a basic need and a foundation of participation in the community. Without appropriate and affordable housing, communities are less sustainable.

The progressive redevelopment of the existing public housing portfolio is essential to effectively managing an ageing stock of increasingly inappropriate dwellings. A structured and consistent approach to the long-term management of stock will improve the performance of publicly owned assets, and the effectiveness, efficiency and quality of services delivered by the Government.

The objectives of public housing can only be achieved by reshaping the portfolio to meet changes in demand, and by reinvesting in the portfolio to ensure it is sustainable and that dwellings are maintained to established standards.