

Asset Management

CHFV Co-operatives Conference

First – a look at cooperatives & SouthEast Housing Cooperative

The major difference between cooperatives and other governance structures is member ownership, participation and engagement. Other models have a methodology that is more service provider to client; coops alone are heavily focussed on participation. In the Co-operatives Act 1996 there must be a minimum of three quarters member directors. As you are aware, there is no getting away from the membership. The agencies goals, policies and procedures are embedded in the aspirations and capacities of the membership. With so much member and director involvement, Coops are not the easy option, but it can be tremendously rewarding.

The Victorian government continually comments on community development to the point where Community Capacity Building is a major part of the Housing Provider Framework lease we have signed with the Department of Human Services. Out of not-for-profit companies, incorporated associations and cooperatives, coops offer the greatest engagement with the community and membership to the point it is surprising that the state government does not emphasise it as a method of community empowerment. Instead, in the Housing Act, only NFP companies can become Affordable Housing Associations. Coops by definition can be no more than the smaller Housing Providers, limited in size and starved of development funds available to other agencies. It is clear Rental Housing Cooperatives do not have many friends within the Department of Human Services bureaucracy, but to be fair, some Rental Housing Coops have not adequately governed themselves in the past.

So the challenge is for RHCs to demonstrate not only to DHS but to the wider community that we are a viable and effective method of operation.

Under the Co-operatives Act, it all comes back to the Board. The Board must be skilled committed and competent. SEHC is the amalgam of four separate cooperatives who thought that there would be benefits in forming a larger and more robust agency. SouthEast Housing is the largest RHC in Victoria with 150 DHS owned properties, five we own and four staff. In the last 18 months SEHC has undergone a dramatic change. Using Australian Standards as a reference, job descriptions for directors and the Board have been developed and there has been considerable up skilling of the board and staff. We have two independent directors, one is a civil engineer with development experience in affordable housing, and the other is a Professor of Accounting. We also have two independent advisors; one is the Secretary of the Co-operative Federation of Victoria, the other a solicitor with company CEO, secretary and director experience.

I would like to thank our board. They are unpaid and I'm sure often all I give them is a headache but they have worked hard in transforming the agency into one that is almost ready for registration. Sometimes the hours they put in are extraordinary and their skills

in running a Board are often opposite or counterintuitive to how most people would do a job. It has been hard work.

Asset management, and this includes maintenance, is one of the main measures of how members assess the organisation that they control. Every year we do an anonymous survey of the membership to measure how we are performing.

Our relationship with Government

As of 1 Jan 2007, all Victorian RHCs moved onto the Housing Provider Framework lease, a new form of contractual relationship with DHS. By 31 December 2008, we must have either registered as a Housing Provider or found some governance arrangement suitable to the Registrar of Housing Agencies otherwise DHS will reclaim their properties.

DHS are imposing a more commercial relationship with Rental Housing Cooperatives. The importance of this cannot be underestimated. Under the old headlease arrangements, RHC were a protected species, this is no longer the case.

As an arm of government, the Department of Human Services has contracted with Rental Housing Cooperatives to provide two services:

- i. Community Capacity Building / Community Development, where the board and membership are encouraged to improve communities' quality of life through self identified projects and the development of partnerships to further common aims.
- ii. Asset Management, where very expensive properties are maintained in an adequate manner.

If we estimate that properties are worth \$350,000 each, and know that SEHC has 155 properties, the assets we manage are worth over \$54m. We are talking about significant amounts of money. The government wants to ensure that these assets are being properly managed and taken care of.

Federal and state government have targeted the community housing sector as a major method to resolve housing affordability. If we are to succeed in assisting low income people avoid poverty and have a better quality of life, we must be able to demonstrate that we can provide a high quality and cost effective service in the provision of affordable housing.

Our challenge is to develop a management model that compares favourably with the private sector in terms of efficiency yet maintains the community focus and member satisfaction.

Asset Management

The community housing sector is often compared to public housing – we must meet their standards as a minimum but have the capacity to add something on top of that. Fortunately, this is not hard. Public housing pay very lowly and so does not attract good service from tradies. RHCs spend about \$1,500/year per property on maintenance, which

is approximately \$500 more than public housing so we can provide more services than the minimum require under the Residential Tenancies Act. The Housing Provider Framework lease and the Residential Tenancies Act lay out fairly prescriptively how maintenance and is to be performed.

Under the Act, lease and public housing guidelines, if a paint job does not match, a garage does not have a lock, a pergola is falling down or carpets are less than 30% threadbare – tough luck. RHCs can & do offer better assistance than that.

Our low vacancy rates attest to the success we have in providing a better option for our members than other choices.

Mostly the lease talks of what you would expect, properties must be kept clean, licensed tradespeople are to be sue when necessary, DHS has access to permits when they are relevant etc. The bureaucracy is watching its back to make sure it has the regulatory capacity to manage the sector.

But there a couple of less standard matters – RHCs must negotiate with DHS before major works, costing \$5000 or more, are undertaken on a property.

Also, DHS are to inspect the properties once every three years and develop a Property Condition Report. There are then talks with the RHC where we negotiate the implementation of an agreed property management procedure.

In Section 11.2.3 DHS gives itself an out of doing work citing whether funds are available. It only has to “endeavour” to do the works. We do not have this luxury.

Under Annexure F of the Lease, every three months we must provide a Maintenance Report to DHS listing all maintenance done, expenditure, works allocated but not completed, amounts spent, call backs and rectification notices. This can reasonably easily be done by printing data out from CODA. CODA is a software package specifically designed for community housing. We also include a profit and loss maintenance report from QuickBooks so DHS can't claim they were not informed. I don't know if anyone has more than a cursory look at this information but its submitted anyway and is a useful internal tool for agencies with multiple staff members to monitor what is happening with maintenance jobs allocated. I find it beneficial to be forced to sit with the Asset Management worker every quarter and consider what is happening with our properties.

Section 2 of the National Community Housing Standards in addition has a perhaps too detailed count of how to perform Asset Management. While the NCHS are indicative of good management, compliance will not be used as in registration assessment. The NCHS recommends that guidelines exist for

- time frames for different categories of repairs, consistent with the relevant local government requirements or state legislation and rulings
- guidance on the fair and equitable expenditure of maintenance funds to meet community living standards

- criteria for how budgets for repairs/maintenance will be prioritized
- procedures for all repairs, including those where a property is head-leased from the public or private sector
- tenant responsibilities and rights, including how tenant damage and/or maintenance responsibilities will be assessed and costs recovered
- guidelines for the maintenance of properties after they have been vacated
- assessment of repairs and the approvals process for initiating repairs documentation and monitoring of repairs.

Other recommended guidelines include mechanisms for tenant access and feedback, preventative strategies, property inspections, selection of contractors, setting performance targets, developing asset plans & procedures for acquiring new stock.

CHFV has also produced the very good “Property and Asset Management Resource Manual” which is available on their website. While widely used in other long term community housing sectors, it has not been so popular with the coops; I’m not sure why. The Manual is useful in that it has draft Policies and letters that can be appropriated and adapted.

What Does SEHC Do?

The first and best thing SEHC does is employ a qualified Asset Management worker. Jim has relevant qualifications, has worked in public housing & has property development experience. Someone with qualifications is needed to assess what type of stirrup is used, whether strapping is correctly attached and how much a 1.7m³ concrete slab costs.

Jim possibly saves us his wages in being able to negotiate with tradies on price and quality and making them aware that work will be inspected and has to meet industry standards. While it often is hard to obtain good, affordable and timely tradies, having 155 properties gives us some buying power and influence.

SEHC performs annual inspections where all properties are examined and their needs documented.

Every quarter the board receives a report about what we have done to realise our Strategic Plan. This includes assessing maintenance expenditure and policies and procedures.

The Board also receives a monthly profit and loss statement and report on maintenance where our expenditure is contrasted against the budget.

For most matters regarding maintenance, the worker deals with it. If there are any queries, he comes and speaks with the Manager. If there are more uncertainties, the matter is discussed with the Chair. Members always have the option of writing to the Board if they feel it is important. If the member is still unsatisfied, they can also raise it at

the quarterly member forums and we have a grievance procedure and can always be taken to the Victorian Civil and Administrative Tribunal.

SEHC also performs at least one secondary upgrade out of its own funds annually.

SEHC conducts an anonymous annual membership satisfaction survey. While we have a low response, possibly 35%, our average mark out of 10 is never lower than seven. We take it that no response is indicative of general acceptance that the agency is running well. This year I hope to have the form filled out at the AGM and get a better rate of completion.

Use CODA

Data is entered into CODA so there is an asset management record kept accessible to all staff. CODA is not perfect but does provide a centralised data base that generates reports that are DHS compliant.

Not only must RHCs provide a good service, we must be able to prove against registration standards that we do. Even if some RHCs come to some form of governance agreement with an auspice body or a merger, they still need to be able to satisfy the Housing Provider Framework and Registrar's requirements that asset management is being properly performed. Times are not changing, they have changed.

Inherent Tension

RHCs have a conflict where tenants also run the organisation. This is not always an easy mix and is a natural source of tension. Members can raise any concerns with any of the staff or Board at any time. This is not the standard hierarchical organisational structure.

The way to resolve this pressure is to have an agreed set of Policies and Procedures where everyone understands their rights and obligations. While this works most of the time, there are still problems associated with how the Policies and Procedures are interpreted. Our current Policies list a set of desires rather than very practical working procedures. For example, it says that any property that has exceptional heating and cooling problems is entitled to fans being installed. But what is an exceptional heating and cooling problem? And for who? Do we need an engineers report on the relative status of a house's thermal behaviour? Who pays for it? It can cost up to \$500 to have fans installed, channelling cut through walls and repaired and then a matching paint job done. There are no obligations to install fans in the Residential Tenancies Act.

Occasionally we receive requests from members that list wants rather than needs. SEHC tries to be as consistent as possible in the interpretation of the Policies and Procedures and this means sometimes telling members that services will not be provided. Again, as a cooperative, the membership is the ultimate employer making staff feel vulnerable.

Generally members are satisfied when an explanation is given about why a service is being refused but it can be unpopular.

The temptation is to take the easy way out and provide nearly all services to all properties where the member requests it. While this may in the short term this may be politically expedient it is not good procedure nor terribly honest.

Growth and Underutilisation

SEHC recently received a \$1m DHS grant and purchased five new two bedroom units. The members have also authorised the board to borrow up to \$1.5m to purchase more two bedroom units. SEHC is targeting smaller units. Our membership is ageing, the average household size is decreasing and there is also a trend for smaller households. SEHC is trying to match stock to people's households. If my information is correct, this is the first growth in RHC in Victoria in 18 years.

Like probably all other long term community housing organisations, SEHC has considerable stock under-utilisation. We have over 20 single people living in three and four bedroom houses while we have scores of families on the waiting list. A review of international literature on under-utilisation found that while practically every developed country found it a problem, no one had a solution. The best I have been able to find is that every agency should have a policy encouraging and providing incentive for people to move to accommodation that more suitably matches their lifestyle.

Forced moves, where security of tenure not to a specific property but to a property of the owner's choosing, is politically very problematic and even possibly unfair. Under the RTA a member would be offered a unit and if they refused they could be issued with a 120 day Notice To Vacate and then asked to rethink their position. While this is administratively possible it is politically untenable and should never occur. What if an elderly tenant had a heart attack after being given a NTV?

SEHC is not forcing single residents to move out. We proffer no stick and a lot of carrot. We are offering a choice that may be more suitable to single people's lifestyle. We are also offering up to \$1,000 towards relocations costs as an incentive. Of the three new units tenanted so far, two have been relocations where families have moved into three bedroom houses. Of the two properties we have just purchased, one member is interested in relocating.

With the properties we are buying we have a few considerations which includes

- Buying stock near people who have expressed an interest in relocating to a smaller unit and trying as much as possible to meet their needs. This is popular with the membership &
- Developing in the south eastern growth corridor, an area poorly served with affordable housing. This is popular with DHS & local government.

In Conclusion

- Rental Housing Cooperatives must meet registration standards and must be able to demonstrate so.
- Coops can meet the considerable demands being place upon them to develop after decades of relative isolation.

- It all comes back to your Board. Boards must have the skills, or purchase them in, if agencies are going to survive.
- Asset management is an essential member measure of agency success and must be done demonstrably well.
- SEHC has received a \$1m grant and purchased units. We are borrowing more to provide long term assistance to low income people.

And also -

Life is not meant to be easy, my child; but take courage -- it can be delightful.

George Bernard Shaw

One of the central tenets of being a cooperative is that we are meant to cooperate with each other. If anyone has suggestions on how this can be done better, please come and see me.

Thanks

Greg Flynn
Manager
SEHC