



**Community Housing**  
FEDERATION OF VICTORIA

***Better asset management:***

*A proposal to enable active portfolio management of properties owned or managed by community housing organisations.*

*July 2015*

*This paper is dedicated to the memory of the late Ian McLaren - former General Manager of South East Housing Co-operative and former member of the Community Housing Federation of Victoria Board. Ian worked tirelessly to achieve the sustainable renewal of stock in the community housing portfolio.*

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## 1. Executive Summary

Community Housing Organisations (CHOs) now play a key role in the delivery of social and affordable housing in Victoria. CHOs regulated by government – known as registered agencies – now own \$2.5 billion in assets and manage over 19,000 units. Of these almost 10,000 remain in government ownership and are managed or head leased by CHOs under a range of programs. The remaining 9,100 units are owned by CHOs but in most cases government retains an interest as a funder which constrains how the CHO may deal with the asset.

In a policy landscape where capital funds for new development are scarce, CHOs are looking at their existing portfolios of owned and managed stock for opportunities to deliver more and better outcomes for their tenants and people they want to house. Government has asked CHOs to take more responsibility for long-term asset planning via its leasing models and a renewed focus in the regulatory framework on asset management.

The issue for CHOs is that currently there is:

- no objective criteria by which property proposals can be assessed by government;
- no process which CHOs can use to make applications to government; and
- a lack of transparency about why a proposal was accepted or rejected.

This means that CHOs do not have confidence about how to proceed, with the result that:

- good ideas may become lost in the administrative process;
- opportunities to take advantage of the property cycle can be lost under excessive delays;
- each proposal is considered on an ad-hoc basis and there is no guidance to CHOs about what outcomes are sought by government; and
- CHOs are not always given clear reasons as to why a proposal has been rejected.

It is time for CHOs and government to work in partnership to put community housing assets to work to deliver more and better outcomes for the community. What is therefore needed is a common understanding on how this partnership will work.

Accordingly, the Community Housing Federation of Victoria (CHFV) proposes that Government adopt a framework for the most effective use of housing assets owned and managed by CHOs. Proposals to be put by CHOs to government could include proposals for:

- the title to stock currently under management of CHOs to be transferred to the CHO to allow more effective asset management – for example by redeveloping undercapitalised sites, creating a mixed tenure developments or utilising the property as security for debt finance;
- the sale of stock currently owned by CHOs and which is no longer fit for purpose (for example, as it has a significant maintenance liability, does not meet tenants' needs or is poorly-located) and for all of the net sale proceeds to be invested in new supply; and
- adjusting the funding controls that apply to a particular property owned by a CHO, so as to permit it to be redeveloped or to be targeted a different tenant demographic.

Such proposals may include sourcing capital contributions from other parts of government where DHHS is seen as a key stakeholder for approval for the release of funds, such as the National Disability Insurance Scheme (NDIS) or the Victorian Property Fund (VPF).

To ensure a clear, consistent and transparent process for considering such proposals, CHFV believes that DHHS should establish two application rounds annually, with deadlines for submission of proposals, timeframes for assessment and responses and a written evaluation of each proposal against assessment criteria. CHOs could have rejected proposals reviewed by an independent review panel.

Based on past practice in Nation Building and other grant and asset transfer processes, we are firmly of the view that Government procurement rules should permit a collaborative partnership between CHOs and Government without resorting to cumbersome or restrictive procurement processes.

Accordingly, CHFV asks that DHHS develop and publish by the end of 2015:

- a policy based on the principles set out in this paper; and
- a timeframe for submission of proposals in the 2016 calendar year and beyond.

CHFV is keen that this policy be developed in collaboration with the sector and looks forward to working closely with DHHS and stakeholders to develop a framework that is clear, transparent and consistent.

## 2. Background

### 2.1. Victoria’s registered housing sector

Victoria’s CHOs now play a significant role in social and affordable housing. A dedicated regulatory scheme and a range of funding policies and programs have supported its growth. CHOs registered under the scheme – known as registered agencies - now own \$2.5 billion in assets, manage over 19,000 units, receive over \$27 million in rent annually and support debt of over \$309 million.<sup>1</sup>

CHOs have also accumulated significant balance sheets and are willing to invest cash reserves in meeting their core mission to provide more affordable housing to Victorians. Registered housing providers alone hold cash and short term investments of \$51.6 million and debt of just \$26.8 million.<sup>2</sup>

### 2.2. Funding programs

CHOs now own and manage assets under a multiplicity of programs. In broad terms, these are:

Director of Housing (DoH) or DHHS owned (or head leased) and managed by a CHO	CHO does not have responsibility for asset management	Transitional housing Group housing Some crisis accommodation programs HPF Option 1
	CHO has responsibility for asset management	HPF Option 2 HPF “Plus” lease General lease Other forms of lease
Owned by CHO	Assets acquired with grant funding	Various funding programs Building More Homes Together Social Housing Innovations Program Growth Fund Nation Building
	Assets transferred by DoH/DHHS to the CHO	Fairer Victoria Asset conversion process (2008)

### 2.3. Assets managed by CHOs

In recent times DHHS has sought to move CHOs to a lease model known as the General Lease. Under this model, the CHO is entitled to receive all rental income from the property and pays only a nominal head lease rental to the DoH for use of the property. The CHO must undertake all maintenance to the property, including any necessary:

- structural works (unless such works should be carried out by a builder under warranty insurance or a defects liability period); and
- upgrade works – defined as the refurbishment or replacement of building elements within the property in order to maintain the safety, integrity and use of the building and to extend its useful life.

<sup>1</sup> Victorian Government, Housing Registrar, Sector Performance Report 2012-13

<sup>2</sup> Housing Registrar Annual Report, 2013-2014

The only exceptions to the CHO's maintenance liability are:

- damage or destruction of the property (e.g. due to fire or insurable event);
- replacement of a major infrastructure element of any premises, where if the element is not replaced the whole or part of the property cannot be used as housing; and
- upgrade works where the CHO reasonably forms the view that the upgrade is not viable because the cost of undertaking the works is excessive and not warranted when considering the overall condition of the relevant Premises.

However, in all cases there is no obligation on DHHS/DoH to carry out such works. If neither the DoH/DHHS or the CHO is willing to fund the works, then CHO may end the lease as it relates to the relevant part of the property.

Very few CHOs remain on the Housing Provider Framework Lease, under which CHOs had a lesser (or no) responsibility for maintenance. DHHS is seeking to move as many CHOs as possible to the General Lease model. Other leasing models remain where the DoH retains responsibility for asset management, such as Group Housing (for disability accommodation) or leases for crisis accommodation, however these are now in the minority.

#### **2.4. Assets owned by CHOs**

Owned assets are typically subject to a Directors Interest or some other form of interest arising under funding agreements (such as a mortgage or charge). These prevent the CHO selling, using the asset as security or otherwise disposing with the asset without the consent of the DoH. The Housing Act stipulates that the DoH's consent must not be unreasonably withheld. A capital funding agreement also documents the extent of the capital contributions by the DoH and the CHO, and determines the target tenancy profile.

In CHFV's experience proposals to use assets as security for finance have generally been acceptable provided appropriate tri-partite arrangements are in place. However, proposals for a CHO to sell assets, redevelop assets or use them for a different funded purpose also usually require the consent of the DoH. Proposals put by CHOs for better management of owned or managed assets in their portfolio may include a proposal to make better use of adjoining public housing assets.

The sector's experience is that DHHS has generally been amenable to such proposals, but that there is no available objective criteria or timeframe for assessment of such proposals, nor any consistent approach to the manner in which sale proceeds must be reinvested.

### **3. Towards more effective asset management**

#### **3.1. The role of regulation in asset management**

The Performance Standards for Registered Agencies require CHOs to manage assets in a manner that ensures suitable properties are available now and into the future. In particular, CHOs must demonstrate that they have a plan for how they will manage their housing assets to optimise outcomes on financial investment, service delivery and meeting housing needs.

To demonstrate compliance, CHOs with asset management responsibility are required to prepare an Asset Management Plan which looks at life-cycle costs of managing the CHO's portfolio. This should include, at a minimum information about the nature of the stock (its location, condition and any particular issues relating to safety or suitability for purpose) the CHO's asset management system in place and long-range forecast of future maintenance liabilities.

CHOs with a more complex portfolio are encouraged to adopt strategic approaches to asset management which consider not just maintenance of the current portfolio but also which:

- consider long term demographic and market trends across the CHO's stock, including data from DHHS, demographic data from the ABS, Council plans, Waiting list data and other planning strategies like Plan Melbourne;
- analyse any areas of shortfall or mismatch between current stock and long term projections of stock needed;
- develop a strategy for realigning stock to meet long term need projections, including acquisition, disposal and redevelopment strategies; and
- mandate that financial plans and budgets include costs and strategies for achieving stock realignment. This will include plans to discuss funding options with funders and others.

CHFV understands that the Housing Registrar is developing further guidance on its expectations for asset management for CHOs in the context of the new Performance Standards introduced to align Victoria's regulatory system with the National Regulatory System.

Accordingly, it is expected that CHOs' strategic asset plans will give rise to proposals for:

- sale of assets that are no longer required or not suited to the needs of tenants, with net sale proceeds invested in new supply;
- redevelopment of sites that are undercapitalised or where assets have reached their end of their useful economic life;
- judicious sale of assets in accordance with the property cycle or where too many outcomes are concentrated in the one location, with the net sale proceeds to be invested in new supply.

### **3.2. The role of DoH and DHHS**

In the case of both owned and managed assets, the DoH (and DHHS) remains an active stakeholder in asset management in conjunction with the community housing sector. This is appropriate given the significant public investment in CHOs and the overall responsibility to ensure that public assets are being appropriately managed.

The issue for CHOs in engaging with DHHS and DoH on these matters is that currently there is:

- only limited tenure (less than five years) to assets managed on behalf of government;
- no objective criteria by which proposals can be assessed by government;
- no process which CHOs can use to make applications to government; and
- a lack of transparency about why a proposal was accepted or rejected.

This means that CHOs do not have confidence about how to proceed. Good ideas may become lost in the administrative process. Opportunities to take advantage of the property cycle can be lost under

excessive delays. Each proposal is considered on an ad hoc basis and there is no guidance to CHOs about what outcomes are sought by government. CHOs are not always given clear reasons as to why a proposal has been accepted or rejected. This form of idiosyncratic decision making is a risk to CHOs that is difficult to mitigate against.

DHHS also has other relevant functions in addition to assets owned or managed by CHOs. CHOs have in the past accessed funds from other government sources such as the Victorian Property Fund (VPF). The fund has over \$20 million a year to allocate. CHFV understands that Consumer Affairs, with responsibility for administering the VPF, seeks DHHS endorsement for use of VPF funds before allocating them as they do not have the resources or expertise to assess proposals. CHOs should be given certainty as to the criteria against which such proposals are assessed, and encouraged to propose innovative projects that blend such funding with other forms of investment.

### 3.3.A partnership between CHOs and government

CHOs know the assets they manage well and are better placed to know what really can be done with them. They should be encouraged to innovate, envisage a better future for their tenants and bring the energy and ideas of others to the table. Benefits of this approach include the following:

**More efficient asset management:** The condition of many properties owned or managed by CHOs, may be such that total replacement of the stock is the most economic means by which the maintenance liability attaching to the existing stock can be addressed. Status quo options such as the progressive upgrade and repair of existing units or allowing the units to further deteriorate, may only exacerbate DoH's or the CHO's maintenance liability in the long-term.

**Make highest and best use of existing stock:** CHOs should be encouraged to develop innovative proposals that bring new investment to the DoH and CHO portfolio. This allows the government to focus its maintenance spend on those public housing properties that are newer, more relevant to client demand and that will benefit most from proactive investment in life cycle repairs.

**Align stock to meet needs of clients:** There is a significant mismatch between the configuration of dwellings available for public housing and the needs of tenants and those waiting for housing. We understand that 20,000 individuals or families are waiting for a one-bedroom house when only 18,000 one-bedroom houses or apartments exist in public housing.<sup>3</sup> Proposals from CHOs are an opportunity to better realign the portfolio to suit tenants most in need.

**Leverage experience of sector:** The CHO sector has accordingly built a wealth of experience in developing design standards that meet tenant needs while minimising maintenance costs and operational costs. The CHFV proposal allows CHOs and government to take advantage of this capacity.

**Empower the sector to innovate:** Just one example is the NDIS, which includes a cost of capital of approximately \$700 million annually for disability accommodation at full scheme rollout in 2019.<sup>4</sup> Recently State and Territory Disability Ministers decided to progress pilot projects in the NDIS launch

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<sup>3</sup> Pathways to a Fair and Sustainable Social Housing System, Public Consultation Discussion Paper (April 2012) page 27.

<sup>4</sup> Remarks by Bruce Bonyhady AM, NDIA Chairman, to the NSW Federation of Housing Associations, Industry Forum on the NDIS, housing and disability

sites. It is clear that CHOs and similar organisations will have a unique role to play as vehicles which can effectively blend contributions from both the NDIS and mainstream housing provision.

**Case study: South East Housing Co-operative**

South East Housing Co-operative Ltd, a registered provider, manages 160 long-term community housing properties in Melbourne under a co-operative model. 150 of these are owned by the Director of Housing and the remaining 10 are owned by the co-operative.

One property at 11 First Street, Clayton South had been vacant since 2011 and DHHS agreed that the property had become uninhabitable. The property is owned by the Director of Housing.

SouthEast submitted a proposal to DHHS to provide three new units in replacement of the existing property, subject to a transfer of title. The proposal included an alternative (less preferred) submission for the Director of Housing to retain title to one completed unit. Funding for the new construction was to be fully covered by SouthEast's cash reserves. SouthEast had completed a design and obtained planning approval for the new homes.

If there had been a clear process and framework for decision making in place, both the sector and DHHS could have achieved faster and better outcomes to support better asset management.

## 4. A framework for decision-making

CHFV proposes that DHHS establishes a set of clear criteria to apply to proposals by CHOs for more effective use of assets under ownership or management of CHOs. These criteria would apply to proposals where DoH or DHHS has an interest in asset owned or managed by CHOs, including:

- for DoH or DHHS to transfer title to a CHO assets already under management of a CHO for reasons of sound asset management, including redevelopment of undercapitalised sites or to use property as security for borrowings;
- to sell assets owned by a CHO and for the reinvestment of all of the net sale proceeds into new supply;
- for redevelopment of sites owned by a CHO;
- to change the funding controls that apply to a particular property (for example, to allow it to be demolished, redeveloped or to change the target tenancy profile specified in the funding deed).

Details of the proposal to be submitted would include:

<b>Outline of project</b>	Overall summary of project and objectives including: <ul style="list-style-type: none"> <li>• new units to be constructed (number, type, value);</li> <li>• any units to be sold, demolished or redeveloped (number, type, value).</li> </ul>
<b>Conditions</b>	Conditions which must be satisfied before project commences, such as: <ul style="list-style-type: none"> <li>• Planning conditions;</li> <li>• Sales achieving target yield;</li> <li>• Construction costs meeting tender;</li> <li>• Valuer General valuation</li> </ul>
<b>Construction standards</b>	The CHO should outline the extent to which the proposal provides tenants with a home that is aligned with modern community standards for housing. This could include whether the new homes will: <ul style="list-style-type: none"> <li>• be cheap to live in terms of utility costs;</li> <li>• allow ageing in place</li> <li>• be adapted for people with physical disabilities or designed to adaptable standards (with either ground floor or lift access)</li> <li>• built to robust design standards to reduce ongoing maintenance costs;</li> <li>• built in accordance with Environmentally Sustainable Design (ESD) principles to reduce ongoing operating costs for tenants; and</li> <li>• integrated with surrounding community by design or through social mix.</li> <li>• include open space and community facilities above and beyond planning requirements, (such as including provision for safe playground and recreational areas); or</li> <li>• allow for on-site car parking – at least 0.6 spaces per home in accordance with DHHS standards for public and community housing.</li> </ul>
<b>Staging and programming</b>	The CHO should including an outline development program and key milestone dates.  The CHO should detail how existing tenants (if any) who are impacted by the proposal (e.g. because the site is being redeveloped or because their unit is

	<p>to be sole) are to be given alternative accommodation. Programs for staging and redevelopment need to account for the interests of existing tenants who will be impacted by the proposal.</p> <p>For large redevelopments, the CHO may consider including:</p> <ul style="list-style-type: none"> <li>• a staging plan as a relocation option for tenants from other sites as the development program progresses; and</li> <li>• a plan for communication with impacted residents and the neighbouring community.</li> </ul>
<b>Project partners</b>	<p>This includes:</p> <ul style="list-style-type: none"> <li>• Private sector builders, developers;</li> <li>• Financiers;</li> <li>• Community partners</li> </ul>
<b>Finance</b>	<p>Cash-flow and budget  Details of project contributions from CHO (debt, equity)  Details of project contribution from third parties (e.g. local government, philanthropy, community support providers, NDIS)</p>
<b>Subject land</b>	<p>The subject land, including:</p> <ul style="list-style-type: none"> <li>• Title details;</li> <li>• Any funding obligations which already relate to the land</li> <li>• Current ownership</li> <li>• Extent of any interest of DoH/DHHS;</li> <li>• Current site conditions</li> </ul> <p>If it proposed that land owned by DoH/DHHS is to be transferred to the CHO, the proposal should include when this transfer is to take place.</p>
<b>Allocation and eligibility</b>	<p>The CHO should outline how it intends to allocate vacant properties and set rents to ensure financial viability. CHOs have discretion to offer tenancies to a range of people in accordance with the DHHS Guidelines. If the CHO proposed to target particular groups or particular rents, this should be specified in the proposal.</p> <p>The CHO should set out:</p> <ul style="list-style-type: none"> <li>• target tenancy profile;</li> <li>• target rental profile and rent-setting approach to be applied</li> <li>• approach to allocation; including sourcing of clients from high needs cohorts and the public housing waiting list</li> </ul> <p>Targets for allocation and a process for co-ordinating vacancies from the public housing waiting list can be the subject of a separate agreement between the CHO and DoH.</p> <p>The CHO should outline arrangements for transferring tenants, including any “no disadvantage” test applied to those who are currently public housing tenants or community housing tenants on concessional rents. A “no disadvantage” test means that the terms of their existing public housing tenancy will continue to apply to their new tenancy with the HA. This is to the effect that the tenant will be offered a tenancy with the HA that has as favourable security of tenure, rent (net of Commonwealth Rent Assistance) and other terms and conditions as the public housing tenancy</p>

<b>Innovation</b>	Any particular elements of the proposal which demonstrate innovation, including: <ul style="list-style-type: none"><li>• any particular support model facilitated;</li><li>• any place-based initiatives;</li><li>• wider initiatives to promote social and economic inclusion of tenants (e.g. employment and training programs)</li><li>•</li></ul>
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## 5. Assessment of proposals

Following is an elaboration of each of the criteria. This is not intended to be exhaustive – indeed, CHOs should be encouraged to innovate and find new ways of expressing their value to government and the community at large.

Criteria	Relevant considerations	Indicators – preference given to proposals that:
1. Tenant outcomes	Number and/or quality of outcomes for tenants.	<p>Improve the number and/or quality of outcomes through replacement of existing stock with new homes that:</p> <ul style="list-style-type: none"> <li>• are better suited to the needs of tenants;</li> <li>• are better aligned with demographic demand (e.g. 1 and 2 bedroom units); and/or</li> <li>• are in areas of higher demand for social or affordable housing, than the units to be replaced.</li> </ul>
	Location of property	<p>Are well-located - near jobs, transport and services.</p> <p>Acquire well located sites or which allow well-located sites to remain within public hands are preferred.</p>
	Plan for any transfer of current tenants.	<p>Allow existing tenants who wish to stay to stay connected with their local communities.</p> <p>Do not disadvantage public housing tenants who transfer to a tenancy with the CHO.</p>
	Alignment to needs of tenants (lower energy and operating costs, more appropriate size, modification for disabilities)	<p>Create new or refurbished homes that are:</p> <ul style="list-style-type: none"> <li>• cheap to live in terms of utility costs;</li> <li>• allow ageing in place</li> <li>• be adapted for people with physical disabilities or designed to adaptable standards (with either ground floor or lift access)</li> <li>• built to robust design standards to reduce ongoing maintenance costs;</li> <li>• built in accordance with Environmentally Sustainable Design (ESD) principles to reduce ongoing operating costs for tenants; and</li> <li>• Include open space and community facilities above and beyond planning requirements, (such as including provision for safe playground and recreational areas); or</li> <li>• Allow for on-site car parking – at least 0.6 spaces per home in accordance with DHHS standards for public and</li> </ul>

Criteria	Relevant considerations	Indicators – preference given to proposals that:
		community housing.
	Community integration	Integrated with surrounding community by design or through social mix so that it breaks down barriers – physical, spatial and perceived – between social housing and its surrounding neighbourhoods.
2. Capital improvement	Comparison of current value vs completed value.	Create a net increase in value of the CHO and public housing portfolio.
	Expected lifecycle maintenance costs (comparison of current assets v proposed)	Reduce the maintenance liability to government through: <ul style="list-style-type: none"> <li>• redeveloping sites that are significantly undercapitalised; or</li> <li>• comprise ageing stock that has reached the end of its economic life; or</li> <li>• total replacement of the stock as the most economic means by which the maintenance liability attaching to the existing stock can be addressed.</li> </ul>
	Asset management capacity (as assessed by Housing Registrar)	Allow for the long-term needs of the housing assets to be met without further capital contribution.
	Timeframe for project completion	Can be completed within a reasonable timeframe.
	Any conditions that need to be satisfied before construction commences (e.g. planning)	Are not subject to unreasonable or unduly onerous provisions and are based on realistic assumptions on planning controls.
	Analysis of alternative methods to manage asset	Represent the best approach to asset management compared with: <ul style="list-style-type: none"> <li>• the status quo of continued management under the leased or ownership program (including the long-term capital requirements of the existing stock); and</li> <li>• other alternatives (e.g. if a proposal is for the redevelopment of a site, alternatives would include the sale of the site and re-investing the net sale proceeds in new supply)</li> </ul>
3. CHO contribution	Leverage brought by the CHO via cash, debt, other programs.	Utilise debt or equity contributions from the CHO in a financially sustainable way.
	Third party contributions	Bring additional contributions from other partners or sources, including: <ul style="list-style-type: none"> <li>• local government;</li> <li>• donations of land;</li> </ul>

Criteria	Relevant considerations	Indicators – preference given to proposals that:
		<ul style="list-style-type: none"> <li>philanthropic partners;</li> <li>contributions from non-profit social service providers seeking access to housing for their clients</li> <li>planning concessions (e.g. inclusionary zoning).</li> </ul>
	Any proposed contribution from government	Do not require significant capital investment from government.
4. CHO capability	Capacity and expertise of partners (e.g. builders, consultants)	Are to be delivered by solvent, credible and experienced professionals.
	Housing Registrar's assessment of CHO capacity for development and asset management	The Housing Registrar assesses that the CHO has (or will have) the capacity to deliver the project and effectively manage the completed asset.
5. Innovation (non-mandatory)	Any particular support arrangements/ models facilitated or proposed	Propose models of support in partnership with community support providers to sustain successful tenancies.
	Community development/ place-making	Engage the local community in the renewal process. Develop programs and strategies to promote wider well-being and social and economic inclusion for tenants (e.g. employment and education programs)
	Urban renewal outcomes	Additional homes for the private market at affordable price points. Integration of private market and community housing.

## 6. Process

### 6.1. Assessment of proposals

This paper has been written without the benefit of detailed knowledge of the existing structures and delegations that guide DHHS decision making about asset transfer and redevelopments. As a guiding principle CHFV believes that processes for decision-making should, at least in the first instance, be as consistent as possible with the manner in which DHHS makes decisions about capital outlays.

We propose that DHHS has at least two application rounds per year for consideration of proposals from CHOs. CHOs could present proposals outside of those two rounds where there are urgent circumstances (e.g. a significant opportunity with an external deadline).

The process should establish a timeframe for a response – for example, three months after submission. It should also contain time for the Housing Registrar to give feedback on the CHO's proposal.

The CHO should be provided with written reasons for the decision, including the internal assessment regarding how the project met the assessment criteria.

#### Independent panel review

To aid in the transparency of the process, CHFV believes that DHHS decisions be reviewed by a panel comprising three persons – one representing DHHS, one representing the Department of Treasury and Finance (for example, a member of the Housing Registrar's Advisory Panel) and one independent person. Under this process, the CHO would be given an opportunity to make a presentation to the panel and arrange a site visit, if necessary.

The panel would then make a recommendation to DoH, if necessary.

#### Reporting

To aid in the transparency of the process, CHFV believes there should be annual reporting on:

- The number and type of applications received;
- The number of type of applications approved and rejected;
- General details on the nature of approvals granted, such as the number and value of properties transferred or sold, the LGA area, and the CHO which is the beneficiary.

### 6.2. Procurement processes

Based on past practice in Nation Building and other grant and asset transfer processes, we are firmly of the view that government procurement rules should permit a collaborative partnership between CHOs and Government without resorting to cumbersome or restrictive procurement processes.

The CHFV proposal builds on a history of partnership between DoH and CHOs over the last ten years. Under funding programs such as the Nation Building and Growth Funds, CHOs were invited to make submissions to DoH for capital funding which were assessed by government for value for money. Usually, proposals from CHOs were fully developed and included particulars of the CHO's proposed partners and contractors. This was to ensure that submissions from CHOs for capital funds were

viable, “shovel ready” and could be delivered within the proposed funding envelope. CHOs are of course required to comply with Victorian government guidelines on local content, health and safety and industrial relations.

In an era of limited capital growth funds, CHFV sees this submission as a natural extension of this process. In most cases CHOs will need private partners to provide suitable expertise, capital and risk appetite. CHOs appreciate that they will assume principal responsibility to government for delivery of the outcomes. However, this does not preclude subcontracting of delivery and risk to the private partners. Government should not seek to overly direct this process, it being essential that CHOs continue to have a degree of independence from government consistent with their charitable status.

**Case study: Housing Choices**

Housing Choices Australia converted an ageing single-storey three bedroom home in Preston, which it acquired two decades ago under a grant funding program.

Housing Choices demolished the existing home and converted it into two bedroom, and five one bedroom apartments (one of which is modified for people with a disability). This conversion provided additional quality outcomes and was in keeping with the general mix of one and two storey housing in the area.

**6.3. Impact of changes to planning controls**

CHFV has, in the context of the metropolitan planning strategy *Plan Melbourne*, advocated for a streamlined planning process for social housing. We believe that CHOs that are registered agencies should be exempted from requiring a planning permit for residential development proposals that satisfied the planning scheme appropriate to that zone, and that such developments be exempted from notices and review at VCAT. In other, larger developments, we are supportive of an approach that would make the Minister for Planning the responsible authority for significant development precincts.

In addition, CHFV remains concerned that the newly-implemented Neighbourhood Residential Zone inhibits sensible infill redevelopment of undercapitalised low-density sites in established residential areas, such as that set out in the above case study.

While a consideration of planning controls is outside the scope of this proposal, we wish to emphasise that getting the most out of CHOs existing assets requires a sensible approach to planning controls which recognises the community benefit of making affordable housing available in established areas, close to jobs, transport and services. These matters should be taken into account in any refresh of Plan Melbourne proposed by the government.

## 7. Glossary

CHO	Community Housing Organisation: A non-profit organisation that provides affordable rental housing
DHHS	The Department of Health and Human Services (Victoria)
Director's Interest	An interest in land established under the Housing Act 1983 (Vic) which is recorded on title to land owned by a CHO. This interest prevents the CHO from selling, transferring or using the land as security without the consent of the DoH, which must not be unreasonably withheld.
DoH	The Director of Housing, a body corporate established under the Housing Act 1983 (Vic). This is the entity which owns all public housing in Victoria and which is the funder of CHOs, including registered agencies.
Housing Registrar	The Registrar of Housing Agencies, established under the Housing Act 1983 (Vic) to carry out the functions of the regulatory under the Victorian regulatory scheme for registered agencies.
Registered agency	<p>A registered housing agency which is registered under the Housing Act 1983 (Vic).</p> <p>Registered agencies comprise housing associations (typically larger providers owning and developing new housing) and housing providers (typically smaller providers managing properties on behalf of the government).</p>
NDIS	The National Disability Insurance Scheme, established to provide an insurance-based system of care and support for people with a disability. It is currently in its launch phase.