



## **THE BRISBANE HOUSING COMPANY MODEL**

### **Issues associated with the provision of low-cost housing through a public/private partnership**

#### **Introduction:**

The Western Australian Department of Housing and Works (DHW) is currently researching the relatively new concept of establishing a not-for-profit housing company to provide affordable housing to West Australians. There are currently four such housing companies in Australia operating in Brisbane, Sydney, Melbourne and Canberra.

The aim of such companies is to provide good quality, affordable housing to people on low and moderate incomes through a mechanism that will be self-sustaining financially and therefore not an ongoing drain on the public purse. Community housing providers already achieve these goals and more. Why then is the DHW seeking to develop a service that already successfully exists?

In order to better understand the apparent benefits of these not-for-profit housing company models, the Community Housing Coalition of WA (CHCWA) has researched the operation of one of these companies, the Brisbane Housing Company. This paper considers a range of issues that are associated with the establishment of such a housing model. Some of the issues have been of concern to community housing groups and associated groups in Queensland since the introduction of the Brisbane Housing Company in that State. Other issues have arisen from our consideration of the Company and its aims.

## **Background**

The Brisbane Housing Company model was conceived by the Brisbane City Council and the Queensland State Government as an innovative response to the continuing problem of providing affordable and secure housing for low and moderate income groups in near and inner city Brisbane.

Although it has no statutory responsibility for the provision of housing, the Brisbane City Council (BCC) has made a clear policy commitment to social inclusion that includes making the city an affordable place for all sections of society to live. The Queensland Government, through its Department of Housing (DoH), has a “commitment to a flexible and integrated approach to the provision of secure, affordable and appropriate housing”.<sup>1</sup>

The idea of establishing a Company evolved because Community Housing Providers in Queensland did not have the expertise to handle large developments. Initially Queensland Community Housing Coalition approached the Brisbane City Council in regards to creating a Trust which would lead to the provision of affordable housing in the city. The Queensland Department of Housing became involved and for twelve months the community sector was not consulted as the Brisbane Housing Company Model was developed. In November 2001 “The Foundation Meeting” was held which “allowed community groups to have a say in how the Company will be established and operated.”<sup>2</sup> The consultations continued until the Brisbane Housing Company was established in July 2002, although it was not staffed until December 2002. The project team which was paid by the Department of Housing, moved on to staff the Brisbane Housing Company with David Cant moving from being Manager of the Brisbane Housing Company Project Team within the Department to CEO of the Brisbane Housing Company.

As is the case with all State Governments, the Queensland Department of Housing’s funding base for public housing is the Commonwealth State Housing Agreement (CSHA). This funding is diminishing over the four-year term of the current CSHA while the age of public housing stock means increased funds for maintenance and upgrade is required. In addition the increasingly high cost of development in the inner city imposes significant constraints on the DoH’s inner city construction program.<sup>3</sup>

As a result of the new taxation arrangements, the DoH is unable to claim input-tax credits on increased costs of building materials and services due to the input taxed supply nature of residential property. These added construction costs together with rising land prices and increasing inner and near city housing market

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<sup>1</sup> Brisbane Housing Company: Funding Prospectus and Business Plan V3, p. 8

<sup>2</sup> Queensland Department of Housing newsletter June 2002.

<sup>3</sup> Brisbane Housing Company: Funding Prospectus and Business Plan V3, p. 9

pressures are placing substantial strain on the availability of good quality, secure and affordable housing in Brisbane.

The Company was incorporated formally in June 2002 and the funding agreement was signed by the Minister for Housing, Hon. R E Shwarten and the Lord Mayor of Brisbane on 5 December 2002.

The Company's Business Plan was released in April 2003 and the Bowen Hills Project transferred from the Queensland Department of Housing on April 17 2003. There are many questions arising about its ongoing viability. These have been raised by Jennifer Clarke, General Manager, Public Housing and Community Renewal, Queensland Department of Housing and David Cant the CEO of the Brisbane Housing Company. Jennifer said, in her presentation to an affordable housing seminar hosted by the Western Australian Department of Housing and Works in 2002, "There are still theory to practice issues. Actual costs may still make the model unrealistic."<sup>4</sup> David Cant said in his presentation to an Affordable Housing Summit in Brisbane in 2003 that in terms of "attracting long term investment" the Brisbane Housing Company offers "low rates of return". "BHC doesn't have dividends and all surpluses are reinvested. The company can be developer and even builder But other costs can creep in." The BHC model is a subsidy based approach and once the original grants are applied the Company will only grow by exploiting special situations, attracting more grants etc."

David Cant says "A track record needs to be established and partnerships evolve."<sup>5</sup>

Jennifer Clarke says the Queensland housing department should conduct a "Post Implementation Review."<sup>6</sup>

### **Policy Objectives of Company:**

The Brisbane Housing Company funding prospectus and business plan states that the aim of the Company is "to provide a choice of good value, secure homes in near and inner Brisbane working in partnership with a range of agencies, and targeting our homes to those who fall through the gaps in existing provision."

The prospectus states clearly that the target groups of BHC will be lower income households without children and households with children where the household income is above that provided solely through social security benefits.<sup>7</sup> Their target households will be those whom public housing are either less likely to be able to assist or assist in a timely manner. Attachment A is a table indicating the maximum weekly and annual income of people who will be eligible to be housed in BHC accommodation.

Advantages of the BHC are purported to be:

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<sup>4</sup> The Brisbane Housing Company 26<sup>th</sup> September 2002 presentation by Jennifer Clarke

<sup>5</sup> BHC "Where to from Here?" Affordable Housing Summit 2003 David Cant

<sup>6</sup> Telephone conversation with Diane Niyati 17<sup>th</sup> April 2003

<sup>7</sup> Brisbane Housing Company: Funding Prospectus and Business Plan V3, p. 21

1. it will be self-sustainable and thus not be a future drain on public funds
2. housing provided by the Company will be complementary to public housing, not a replacement;
3. it will attract additional resources through contributions;
4. will benefit from innovation and partnership between private developers and community housing stakeholders.

## **Issues for Consideration:**

### **FUNDING**

The Brisbane Housing Company aims to acquire 600 units of accommodation over a period of 4 years. This acquisition will be funded by the provision of equity from a variety of sources. The Department of Housing has promised to contribute \$50 million over 4 years and the Brisbane City Council has promised \$10 million over 4 years. The Queensland State Budget 2002-2003 states that \$12.5million in cash and property has been allocated annually to the BHC.<sup>8</sup> In addition, the Company relies on receiving contributions of \$2 million per annum for 10 years due to sponsors imposing conditions of sale on land disposals supplemented by charitable donations and voluntary developer contributions.

The State Treasury will contribute \$25million to the BHC, 50% of which will be from 'new money' and 50% from land contributions. A Board Member of the BHC stated that how this 'new money' was found is unclear and that the land being sold to produce the additional funding may have been originally purchased with CSHA funding. The issue of where appropriate funding will come from for a similar model in Western Australia will need to be dealt with.

Although the Company business plan indicates reliance on developer contributions as an important source of developing more homes, Queensland does not have the relevant legislative framework in place to make these anything other than voluntary contributions.

### **TAX EFFICIENCY:**

The BHC is registered as a gift-deductible entity. It is also a charitable institution allowing the BHC to be able to claim a number of tax and related benefits. As long as the Company maintains rents at 75% of the GST inclusive market value of supply, as a charitable institution or gift-deductible entity it can claim input tax credits for GST costs. In addition, charitable institutions are eligible for Fringe Benefit Tax concessions on benefits provided to employees as well as being exempt from income tax and Capital Gains Tax.

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<sup>8</sup> State Budget 2002-03, Queensland Government

As administrators of land tax and stamp duty, State Governments may, in the case of a public benevolent purpose, allow exemptions from the payment of these taxes. In turn, local governments have considerable scope to aid such entities through exemption of property tax or rating concessions.

The tax advantages are clear, but community housing providers already receive these tax benefits. As a result of their charitable status which enables GST savings to be achieved on the construction of new homes, providers have the potential to save \$7,636.36 on an \$84,000 construction budget. Why then would the State Government choose to spend large sums of money setting up a company to achieve benefits, when those same benefits are already being achieved by community housing providers?

### **RENTAL PRICES:**

The general aim of the Company is to provide good quality housing at rents at a discount to the market “so as to make them affordable to target low and moderate-income households”.<sup>9</sup> In order to maintain its GST free status and to enable tenants to claim Commonwealth Rent Assistance, rents cannot be set higher than 75% of the market value of supply.

There will be varying rental arrangements for different housing products. Boarding house rent will mirror existing market rent charged by similar housing providers. The current rate is \$100 per week for a room. Affordable housing rent will be charged at 75% of market rent for each property.

Overall the aim is to provide good quality, secure accommodation that does not cost tenants more than 30% of their income. The National Housing Strategy, 1992, defined housing stress as the requirement for tenants to pay more than 30% of household income on accommodation. This definition is widely used as the benchmark against which affordable housing is judged. The BHC has used this stress factor to indicate potential demand for their properties and therefore a justification of the existence of their Company.<sup>10</sup>

However, page 27 of the BHC’s funding prospectus and business plan provides tables indicating affordability of housing in near and inner Brisbane. The inner city table (see Attachment B) shows figures for 11 groups of people who are likely to be tenants of BHC housing. Of those 11 groups, only 4 groups will be required to pay less than 30% of their household income on rent in BHC inner city accommodation. It would appear then that requiring people pay only 75% of market rents for near and inner city Brisbane accommodation is still unaffordable for many.

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<sup>9</sup> Brisbane Housing Company: Funding Prospectus and Business Plan V3, p. 5

<sup>10</sup> Brisbane Housing Company: Funding Prospectus and Business Plan V3, p. 7

In Western Australia there are some areas, especially mining towns, tourist towns and the inner city where even 75% of market rent will still be beyond the financial reach of low income groups.

A note to this same table states that the rents for this inner city housing will be “unaffordable for many households on base social security benefits. Target market is lower-income households that have extra income sources.”

A further issue of concern is the affordability of such inner and near city housing for young people on a single stream income support payment. The QYHC argued this point with Queensland’s Department of Housing and advise that the Department agreed that such people would not be able to afford the housing on offer. The same argument can be applied to young people in Western Australia and a similar outcome would be reached.

The argument centred around the fact that as rents are set at 75% of current market rents, rent for BHC properties may at a different rate to income support payments. People receiving these benefits may be able to afford to pay rent for one of these properties at present, however as soon as the rent rises and their income support payment either does not rise or rises at a lower level, they will be forced out of their home.

In Perth there is a lack of available properties to rent in areas where rental prices are lowest. Rental prices in these areas have risen at a faster rate than rents in more expensive areas making affordable rental properties difficult to find. With house prices continuing to rise and rents following suit, community housing providers have noted that rents are actually rising faster than CPI.

Residential Tenancies Authority research shows that median rental prices for Brisbane’s inner precinct had a 43% growth rate over the 5 year period 1997 to 2002. This equates to around a \$75 increase in weekly median rental prices over this period, bringing the average price for a 2 bedroom unit in this area to \$250 per week. It must be remembered that this is the area in which the BHC will be focussing its accommodation provision. The annual percentage increase from September 2001 to September 2002 for rental of a unit in Brisbane was 8.3%, with house rentals over the same period rising 7.5%.

Of similar concern is the reliance BHC has on the continuation of the Commonwealth Rent Assistance program (CRA). Part of the justification of the State Government in establishing a company to provide housing to low and middle-income households is that CRA will be available to these groups. The affordability of BHC housing is heavily dependent on these households being able to continue to access Rent Assistance (without the need to earn more) to meet their rent.

As market rents rise and BHC rents similarly rise, tenants will need Rent Assistance to rise at the same level. If it does not do so, tenants may be forced to pay more than 30% of their income, which in turn would lead to housing stress and in so doing remove one of the justifying factors for the BHC. Although community housing tenants access CRA to enable them to pay their rent, they are charged at 25% of income rather than 75% of market rent.

The DHW states that 70% of private renters across WA are in housing stress before CRA; 32% are still in housing stress after receiving CRA; 47% of singles remain in housing stress after CRA. With such figures in mind, it is hard to imagine that these people will be assisted by a company where reliance on CRA to meet the rent is vital and, that if their income changes their rent will not reflect this.

Overall it should be noted that housing provided by the BHC is not addressing the wider matter of homelessness in the city. BHC's ethos is that as pressure grows on ever reducing government resources, those in poverty and with extreme needs, such as psychiatric or intellectual disabilities will be cared for first and that those in not such dire need will miss out. This is where BHC housing comes into its own.

### **Tenure:**

An important aspect of the BHC that the Company has sought to sell in their prospectus is the issue of long-term tenure. "Our tenants will enjoy security of tenure in homes provided in a manner that ensures long-term sustainability".<sup>11</sup>

Boarding house residents will be able to progress to self-contained independent housing within BHC but may also elect to remain in boarding house accommodation.

Where households in the affordable housing stream exceed the upper income thresholds for a period in excess of 12 months from the date of a review, they will undergo a phased movement to market rent and will be encouraged to seek housing in the private market. Should a household continue to exceed income thresholds for the following 12 month period, they will be asked to "show cause" as to why the tenancy should not be terminated. At the Company's discretion, these households could then be provided with 6 months notice to leave if unable to prove a case for continuing that tenancy.

QYHC have questioned how secure the tenure offered by BHC really is. As stated previously, as market rents rise no doubt BHC rents will rise, but households that rely heavily on income support payments and/or on Rent

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<sup>11</sup> Brisbane Housing Company: Funding Prospectus and Business Plan V3, p. 6

Assistance to meet their rent are likely to suffer additional financial hardship if their payments from the Government do not rise accordingly.

### **Tenants:**

Tenants for BHC housing will come via referral arrangements from relevant stakeholders, particularly the Department of Housing wait list. These referrals will provide a pool of qualifying households with the Company having final responsibility for ensuring that offers made comply with BHC allocations policy.

In order to qualify for public housing in Queensland, the Department of Housing requires that the maximum weekly assessable household income must be less than:

\$536	Single person, no children
\$665	Single person, 1 child; or Couple with no children; or Two single people
\$772	Single person, 2 children; or Couple with 1 child; or Couple and 1 single person; or Two single people and 1 child; or Three single people
\$879	Single person, 3 or more children; or Couple with 2 children; or Three single people and 1 child; or Two single people with 2 children; or Four single people
\$987	Couple with 3 or more children; or Five single people; or One couple with 2 children and 1 single person; or Two couples with one or more children; or One couple, 1 single person and 2 or more children; or Other households with 5 or more people including 2 adults.

BHC's housing allocations policy is based around the need "to encourage an appropriate level of consumption"<sup>12</sup> and stands as follows:

Single people	studio unit
Couple without children	1 bedroom unit
Sole parent/couple with 1 or 2 children	2 bedroom unit
Sole parent/couple with 3+ children	3 bedroom unit

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<sup>12</sup> Brisbane Housing Company: Funding Prospectus and Business Plan V3, p. 22

Households with different sex children will be allocated a bedroom per child, in cases where there is an age difference in excess of 7 years or where either child is over 10 years of age.<sup>13</sup> Households will not be able to under occupy by moving into a home with fewer bedrooms than the base allocation.

Households housed in BHC accommodation will need to have previous links to the area in which they are seeking housing or a reason to live there such as the need to access health or other services. They will need to be in inadequate or insecure accommodation, lack the means of meeting their housing needs and have a household income that does not exceed the limits as per the table in Attachment A.

The range of tenants BHC will cater for fall into 4 categories:

- Single people – a decline in the supply of traditional boarding houses and a limited supply of suitable housing held by public and community housing;
- Couples with and without children – households who would otherwise have to pay an “unacceptably high” proportion of their incomes in rent or move away;
- Individuals and families – where special circumstances have resulted in a period of time in crisis accommodation and are now ready to move on to more settled accommodation;
- Individuals and families – currently adequately housed in public and community housing but who, for personal reasons, wish to transfer and by whose departure a home is released for re-letting.

### **Housing Stock:**

As with most Australian cities, Brisbane is currently undergoing a process of gentrification whereby housing stock of all descriptions is being refurbished and re-let at higher rents. Such a process leads to a reduction in the number of affordable properties available to rent in the inner and near city by low and moderate-income groups.

Queensland’s public housing portfolio in Brisbane presently includes approximately 1500 homes in the inner city with community housing organisations accounting for approximately 580 additional units. Resources for new investment in public and community housing are limited and contracting further. The BHC’s objective is to generate sufficient funds to buy land or existing housing units in order to ensure the Company’s growth, thereby ensuring its continued sustainability and viability as a Company. It aims to own 600 housing units over a 4 year period. At present the Company has only 70 accommodation units in its portfolio in the Bowen Hills development providing

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<sup>13</sup> Brisbane Housing Company: Funding Prospectus and Business Plan V3, p. 22

housing for 111 residents. The accommodation here is a mix of boarding houses and apartment buildings. Management for this project was only transferred to the BHC on 17<sup>th</sup> April 2003.

At issue here is the fact that there is simply not much property available for sale in the inner and near city, and what is available will continue to rise in value. QYHC has raised the concern that the BHC is unlikely to be in a position to expand as required unless it either absorbs existing housing groups or joins with existing private/public housing ventures. Whether this is agreeable to any side is questionable.

### **Operation:**

The BHC will operate under a 10 member Board of Directors which at present stands as follows:

Kevin Seymour – Seymour Group

Leanda Cooper – Citimark Properties

John Gallimore – Allens Arthur Robinson

Jan Willisma – Jardine Developments

Mike Myers – exec. Dir. Queensland Community Housing Coalition

Joanne Besley – New Farm Neighbourhood Centre

Ken Gough – Metropolitan Association Towards Community Housing

John McAuliffe – chair, Australian Property Institute

Ann Longley – Queensland Public Tenants Association

The Board is appointed by the shareholders. There are 2 classes of shareholder, Ordinary and Community. There are 3 Ordinary shareholders representing the Queensland Minister for Housing, Queensland treasurer and the Brisbane City Council. The BHC requires that there are 7 to 15 Community Shareholders representing a balanced mix of stakeholders with an interest in affordable housing.

Since December 2002 David Cant has moved from his position of Manager of the Brisbane Housing Company Project Team to CEO of the Brisbane Housing Company. Five members of the project team also transferred across to cover a range of tenancy management, asset management, finance and administration areas in the company. BHC will manage much of the property directly but may enter into management agreements with other community housing providers for some of its housing.

If there has been so much community involvement in terms of consultation, shareholders and on the Board, how is it that the staff selected by the Queensland Department transferred directly over to the BHC. Any other non-government organization would have been required to follow the standard

protocols of having job descriptions and selection criteria and advertise widely for the positions.

On page 23 of “ A Guide to the Brisbane Housing Company” it is stated that the Shareholders’ Agreement outlines a requirement for the BHC to encourage the involvement of tenants in the planning and management of their housing, develop a tenant involvement policy in consultation with tenants and their representatives, which includes meeting the cost of establishing and the ongoing management of a tenants’ association.<sup>14</sup>

As the only project aligned with the BHC so far, the Bowen Hills project, has just been transferred to the Company and so tenant involvement remains untested.

### **Conclusion:**

There is clearly a need in our community for affordable good quality housing, separate to public housing, for people on low and moderate incomes. Community housing providers work to this aim daily and would therefore fully support any initiative that provides additional housing for those in need and takes pressure off waiting lists. However the funding for this new initiative must come from money that would not otherwise be available to social housing. Funding should not be taken from existing projects as these already achieve the aims of the housing company and will continue to do so.

Existing community housing providers already work successfully towards meeting the housing requirements of people on low and moderate incomes. These groups have the relevant skills and knowledge to ensure the ongoing growth of the sector and already receive all the financial and other benefits put forward as justification for the establishment of these housing companies.

As separate entities operating in various suburbs, these providers are able to “respond to local needs, engage community resources and provide or facilitate a wide range of integrated services to assist tenants.”<sup>15</sup> Will a large company be in a position to provide such services to its tenants?

The models being considered are all relatively new. The BHC was only incorporated in 2002 and has only taken control of its first accommodation project on the 17<sup>th</sup> April. There have been no official studies undertaken to evaluate the benefits or otherwise of such housing models. Nor has a study been done to compare the outcomes between investing in a housing company and investing the same amount of money in key community housing providers.

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<sup>14</sup> Brisbane Housing Company: Funding Prospectus and Business Plan V3, p. 31

<sup>15</sup> Department of Housing and Works (2002) *Community Housing – Development of a Strategic Plan 2003 – 2013* p. 3

An important issue to be considered is the reason behind the establishment of the BHC. As stated in the introduction, the Company structure was decided upon because of the lack of community housing providers with the skills to handle large developments. In WA there are a number of key providers that have the appropriate skills.

As stated above, we support any initiative to better meet the housing needs of low income groups, but only if the funding would not otherwise be available for existing community housing providers or the funding could not be more appropriately invested in existing providers.

## Attachment A

### **Income Eligibility Limits for Housing within the Brisbane Housing Company**

(Source: Brisbane Housing Company Funding Prospectus and Business Plan)

<b>Family Unit</b>	<b>AWE factor BHC</b>	<b>Maximum income weekly</b>	<b>Maximum income annually</b>
Single	75.0%	\$565	\$29,471
Single + 1 child	93.0%	\$701	\$36,544
Single + 2 children	108.0%	\$814	\$42,438
Single + > 2 children	123.0%	\$927	\$48,333
Couple	92.4%	\$696	\$36,308
Couple + 1 child	108.0%	\$814	\$42,438
Couple + 2 children	123.0%	\$927	\$48,333
Couple + >2 children	138.0%	\$1,040	\$54,227

NOTE: - Average weekly earnings (AWE) figure for Queensland used - \$753.60

## Attachment B

### Accommodation Affordability Inner City Brisbane

(Source: Brisbane Housing Company Funding Prospectus and Business Plan)

Household	Base payments & allowances	Base housing allocation	Median market rent	Discounted market rent @ 75%	Rent allowance under market rent model	Nett rent paid by tenant	Affordability
Single, working, no benefits	\$350	Studio	\$151	\$113.25	\$0	\$113.25	32%
Single, working, no benefits	\$450	Studio	\$151	\$113.25	\$0	\$113.25	25%
Single, Newstart allowance	\$175.40	Studio	\$151	\$113.25	\$43.20	\$70.05	40%
Single disability payment >21	\$199.85	Studio	\$151	\$113.25	\$43.20	\$70.05	35%
Single aged pension	\$199.85	Studio	\$151	\$113.25	\$43.20	\$70.05	35%
Couple aged pension	\$331.70	1 brm unit	\$169	\$126.75	\$40.60	\$86.15	26%
Couple, no kids, Newstart	\$316.40	1 brm unit	\$169	\$126.75	\$40.60	\$86.15	27%
Couple, 1 child < 13yo	\$374.50	2 brm unit	\$221	\$165.75	\$50.40	\$115.35	31%
Couple, 2 children, same sex	\$432.60	2 brm unit	\$221	\$165.75	\$50.40	\$115.35	27%
Couple, 2 children, different sex, >10yo	\$432.60	3 brm unit	\$314	\$235.50	\$50.40	\$185.10	43%
Couple, 3+ children	\$490.70	3 brm unit	\$314	\$235.50	\$57.10	\$178.40	36%

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