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# **The Role of Organisation Structure, Relationships and Networks in Building Australia's Community Housing Sector**

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## **Abstract**

Community housing organisations are set to become a key vehicle to build and manage a significant increase in Australia's stock of affordable rental properties. Given that organisations in the sector vary considerably in terms of size, activity, institutional capacity, rate of growth, urban/rural location and regulatory environment - are there any insights from current practice that can guide new housing policy initiatives? Based on a non-random qualitative survey by the Community Housing Federation of Australia (CHFA) of 21 diverse community housing organisations nominated by their state peak body, this paper finds two main common themes. First, whilst there is a shared determination to develop sustainable organisational structures, there is increasing divergence between growth and traditional housing providers. Second, there is an understanding that community housing organisations need to carefully manage relationships, particularly with state governments and tenants, and overcome capacity constraints through building stronger networks. The paper concludes with recommendations on capacity building initiatives to help frame the delivery aspects of affordable housing policy in Australia, and provides suggestions for future research.

## Introduction

*'Improving housing affordability is a key priority ... the Government is committed to a coordinated approach to housing policy - to increase the supply of affordable housing so that all Australians have a decent place to live'* (Australian Government, 2008a: p.2);

*'The Government is establishing a National Rental Affordability Scheme to stimulate supply of up to 100,000 new affordable rental properties across Australia'* (Australian Government, 2008a: p.7)

Establishing a national housing ministry, stimulating new sources of finance, releasing surplus land and streamlining the planning system are important foundations for expanding housing supply, but without competent organisations no new homes will be built. Delivery of the government's housing objective to increase the supply of moderately priced rental properties relies on the skills of house-builders and tenancy managers across the private, public and nonprofit sectors. This paper concentrates on nonprofit or 'community housing' organisations. To its supporters, community housing is responsive to tenants' needs, locally grounded, preserves affordable housing stock in the long term and can 'contribute to wider social policy outcomes, like building stronger communities, enhancing employment opportunities and contributing to social cohesion' (CHFA, 2001: p.3). Other commentators tend not to criticise community housing's social outcomes but question whether the sector currently has the capacity to build and manage enough homes to make a significant impact on housing affordability (Milligan et al., 2004). The capacity of individual organisations, their relationship with funders, investors and regulators, and their ability to gain support through industry networks are therefore key issues in the debate on the future direction of Australia's community housing sector.

Research for this paper follows traditions established over the last two decades by 'new institutional' organisational theorists which bring back the importance of institutions as mediators of social and economic change (Powell and DiMaggio, 1991; DiMaggio and Anheier, 1990). In this approach entities such as community housing organisations are central but it is argued that their role can only be understood within a more complex and networked environment of other 'actors' such as fellow nonprofits, public agencies, tenants and finance providers. Organisational level research on the Australian community housing

sector has been limited. Milligan et al. (2004) conducted a detailed study of eight entrepreneurial affordable housing developers, and CHFA (2007) analysed 613 responses to their Mapping Project of mainly smaller tenancy management organisations. By taking a sample covering both these organisational types and focusing specifically on governance and relationships, this research starts to fill a gap in the literature.

This paper uses the results of a questionnaire and telephone survey of 21 community housing organisations across Australia in 2006-2007 to investigate common themes relating to their capacity to provide and manage affordable housing. It builds a new typology of how the sector has developed since the Second World War to help explain the current diversity of organisational types and governance structures. The survey is used to highlight key similarities between organisations, identify trends within the sector, and provide examples of innovative practice. This research aims to both create a snapshot of the sector prior to the launch of new policy initiatives in 2008, and inform discussions on the practical steps needed to help community housing organisations build capacity.

## **Context**

With exception of a small number of charitable, religious and local council run organisations, most community housing groups were formed from the late 1970s onwards. The sector's growth was a reaction to criticisms that the state-run Housing Commissions were bureaucratic, resistant to change and offering limited consumer choice. Community housing was seen to be flexible for people with special needs, responsive to particular neighbourhood needs and popular with tenants (Jones et al., 2007). Bisset and Milligan (2004) identified five stages in community housing growth, shown in Figure 1. Community activists have had a continuing involvement in nonprofit housing but were particularly prominent during the first two stages, the period when cooperatives became the organisational model of choice in South Australia and Victoria (Fowkes, 2001). The 1984 Commonwealth State Housing Agreement quarantined national funds for the sector through the Local Government and Community Housing Program and the Crisis Accommodation Programs. Typically properties were leased from the state Housing Commissions and, in New South Wales and Queensland, from private landlords. The sector's role was limited to tenancy management and minor property repairs: only in South Australia, Victoria and Queensland did nonprofit organisations own many of their properties.

Period	Description	Organisational outcomes
[1] Late 1970s to 1984	State led community housing initiatives	Growth in number of organisations funded by the state governments in New South Wales, Victoria and South Australia. Emergence of community housing sector
[2] 1984 to 1991/2	Expansion through nationally funded schemes	Further organisational growth with a diversified range of services provided. Outcomes varied state by state. Capacity built as state peak organisations founded
[3] 1992/3 to 1995/6	More funding and emergence of longer term vision for the sector	Move towards sector consolidation. 10 per cent of national funding directed to capacity building. National Community Housing Forum and CHFA founded
[4] 1996/97 to 2002/3	Drive for efficiencies and move towards market based solutions	National service standards and accreditation introduced. Emphasis on professionalisation of the sector and improved organisational governance and accountability
[5] 2003/04 onwards	Transition to new and more diversified models	States required to become more active promoters of community housing, often through joint ventures involving the private sector. Tiered regulatory structure
Source: Categories based on template from Bissett and Milligan (2004)		

**Figure 1: Evolution of community housing in Australia**

During the third and fourth stages that followed the National Housing Strategy of 1991/2, funding became available for technical and management assistance to build the capacity of organisations and skills of housing staff. The 1990s were a period of increased professionalisation of community housing organisations and growth in numbers of properties managed. The popularity of market solutions as a way of solving social issues led to innovative solutions by the nonprofit sector to fund the construction of affordable homes (Pusey, 1991; Bisset, 2005). Some 15 entrepreneurial community housing organisations began developing new affordable properties, diversifying from property management (CHFA, 2008a). These organisations are of two main types (Milligan et al., 2004). Firstly, special purpose nonprofits controlled by state and/or local governments, such as City West Housing in Sydney, which was established by the New South Wales government in 1994 as a demonstration project using funds from the Better Cities Program. Secondly, independent nonprofits who have added property development to their existing tenancy management, such as Perth Inner City Housing (now Foundation Housing) in 1993 and Community Housing Ltd (Victoria) in 1995. Despite this important shift, few new homes have been built by the entrepreneurial nonprofits themselves: in the decade to 2004 the seven largest organisations only built 1,200 dwellings (Milligan et al., 2004).

Australian housing policy has moved since 2003/04 to enable more diversified models of affordable housing provision in terms of products, partnerships and groups assisted

(Bisset and Milligan, 2004). In part this has come from innovations by the states, local government and entrepreneurial organisations in the absence of a national housing policy under Prime Minister Howard (National Affordable Housing Forum, 2006). The newly elected Labor Federal Government is developing a more coordinated approach and in 2007 pledged to tackle the 'affordability crisis' by expanding subsidised rental supply (Australian Government, 2008a). Commercially minded nonprofits that are or could become affordable housing developers are being registered in many states as 'growth providers' with expectations of competing or partnering with the private sector for funds under the National Rental Affordability Scheme. In contrast, many organisations founded in the 1980s and 1990s look set to remain tenancy managers. As an example of current developments, since 2005 the state of Victoria has registered and funded eight 'growth' Affordable Housing Associations to build new affordable homes. Registered organisations need to meet performance standards and in the event of poor management or financial problems may be subject to intervention (Victorian Government Office of Housing, 2006).

The various stages of community sector growth have resulted in a complex set of organisations that vary considerably in their portfolio size, asset ownership, development capability, financial strength, management skills, staff numbers, tenant needs and locations served (CHFA, 2007). They have been described as 'eclectic and diverse' by the National Community Housing Forum (2004: p.10). Unfortunately there is neither an agreed definition of the sector's boundaries nor an accurate assessment of the number of organisations operating within it. As shown in Figure 2 the 'mainstream' community housing stock was estimated at 34,672 dwellings as at mid-2007, equivalent to 0.4 per cent of Australia's housing stock or 9 per cent of the combined community and public housing sector. The largest proportion of social housing to total housing stock is in the two territories and in South Australia. Queensland, Western Australia and New South Wales have the largest proportion of their social housing stock in the nonprofit sector. There are 1,023 mainstream community housing organisations, each managing on average 34 tenancies (Australian Government, 2008b). Within the sector there is a skewed distribution with the largest 3 per cent of organisations managing 43 per cent of tenancies (AIHW, 2008a). There are also variations in size across organisational type, with cooperatives and church groups typically smaller than housing associations. In Queensland and Western Australia average organisation size is smaller to serve a more dispersed population (Bisset and Milligan, 2004).

	Social housing stock		Community housing as per cent social housing	Total housing stock	Community housing as per cent total housing
	Public housing	Community housing			
Australian Capital Territory	10,780	801	6.92%	131,375	0.61%
New South Wales	121,872	14,140	10.40%	2,728,719	0.52%
Northern Territory	5,352	92	1.69%	74,193	0.12%
Queensland	50,137	6,275	11.12%	1,660,750	0.38%
South Australia	43,818	4,373	9.07%	679,662	0.64%
Tasmania	11,673	529	4.34%	216,746	0.24%
Victoria	64,849	4,593	6.61%	2,085,113	0.22%
Western Australia	31,290	3,869	11.00%	849,006	0.46%
<b>Total for Australia</b>	<b>339,771</b>	<b>34,672</b>	<b>9.26%</b>	<b>8,425,564</b>	<b>0.41%</b>
<p>Notes: <i>Social housing stock</i> includes public and community housing funded under the Commonwealth State Housing Agreement as at 30<sup>th</sup> June 2007. Community housing numbers are approximate as response rates varied by state, ranging from 70 per cent to 100 per cent of total portfolios. Source: Australian Government (2008b: Table 16A.25 &amp; 16A.89);</p> <p><i>Total housing stock</i> includes occupied and unoccupied private dwellings as at the census date of 8<sup>th</sup> August 2006. Source: Australian Bureau of Statistics (2006).</p> <p><i>Mainstream community housing</i> is the term used by the Australian Institute of Health and Welfare (AIHW) to describe community housing funded through the Commonwealth State Housing Agreements. Source: AIHW (2008b: p.20)</p>					

**Figure 2: Mainstream community housing by State/Territory**

The organisations in Figure 2 are the tip of the community housing iceberg. The figures exclude the 14,442 (as at 1999) units of housing managed by small scale and local nonprofits, typically serving aged and disabled tenants, not funded through the Commonwealth State Housing Agreement (AIHW, 1999). Many of these often charitable organisations were nationally funded between 1954 and 1986 to provide independent housing for older people (McNelis, 2004). Furthermore, as at June 2006, Indigenous community housing supplied 21,505 dwellings (Australian Government, 2008b: Table 16A.37) and there were 6,773 units of crisis accommodation (AIHW, 2007: p.234). Therefore an estimate for the size of the ‘broader’ community sector, albeit from information at different dates, is around 77,000 dwellings or 0.9 per cent of Australia’s total housing stock.

The CHFA Mapping Project (2007) surveyed the 34,672 ‘mainstream’ community housing dwellings shown in Figure 2 plus the 14,442 units (as at 1999) not funded by the Commonwealth State Housing Agreement. The organisations that responded managed 22,468 dwellings (44 per cent of the total) and are structured 58 per cent as housing

associations, 21 per cent cooperatives, 14 per cent local government run and 7 per cent church based. Three out of five organisations offer non-housing assistance to their tenants. Some 52 per cent have grown in size since 1999 and 67 per cent would like to grow in the future. Title to some or all of their properties is held by 53 per cent of organisations, a high figure possibly explained by the data including many organisations owning only one or two dwellings. Partnership arrangements have been entered into by 39 per cent with the most common arrangements being joint ventures with other organisations (41 per cent), with the public, private or nonprofit sector (30 per cent) and head leasing (29 per cent). This demonstrates a relatively high level of connectivity of community housing organisations, both within the sector and more broadly with different levels of government.

## **Research Method**

Building on suggestions at a workshop held during the CHFA National Members' Meeting in 2006, CHFA carried out a 'Successful Community Housing Models' survey between November 2006 and April 2007. Each Australian state and territory has a peak body representing the interests of individual community housing providers, and they were asked to nominate up to four members they considered to be high quality. CHFA indicated that 'high quality' organisations would be financially viable, well managed, maintain good tenant relationships and demonstrate sound business practice. These characteristics were applied irrespective of the size, type or location of the community housing group.

Peak bodies drew on their extensive knowledge about community housing groups in their jurisdiction in the selection process. They were asked to propose organisations willing to participate in the survey operating in either metropolitan or regional settings. The peak body made initial contact and this was followed by a phone call from CHFA explaining the project. Subsequently an e-mail was sent containing an explanatory letter, a five page questionnaire and a copy of the proposed telephone interview questions. The questionnaire sought basic information (location, properties managed, legal ownership) together with more detailed enquiries on tenant profiles, income and costs, organisational structure and relationships with stakeholders such as government agencies and the local community. After receiving the completed questionnaires, CHFA staff conducted semi-structured telephone interviews with the Chief Executive or equivalent senior staff member. The interviews sought opinions of key success drivers such as asset ownership, physical infrastructure,

organisational structure, business skills and financial resources. Information from the questionnaire and interviews was analysed to identify themes across the sample, and to articulate consistencies and differences between responses. As a separate exercise, specific examples of good practice were identified and permission sought for these to be made public.

Given the broad parameters for selecting organisations and the small, non-random sample, care needs to be taken interpreting the survey results. Identifying organisations was delegated to peak bodies who were given flexibility interpreting ‘high quality’. Biases are possible in the peak organisations’ choices, and providers who were not members of peaks were excluded. The aim of securing organisations across a range of locations was not always achieved. For example, from Figure 3, coordination problems in New South Wales led to only one organisation, a small cooperative managing 11 units, being selected in a state that, from Figure 2, has 41 per cent of Australia’s community housing accommodation.

	Location and short name of organisations		Total
	Metropolitan	Non-metropolitan	
Australian Capital Territory	Community Housing Canberra [D] TAS Housing		2
New South Wales	Kapit Bahayan [d]		1
Northern Territory	Dawn House Top End Mental Health		2
Queensland	Brisbane Housing Company [D] Brisbane Boarders [D]	Allamanda Autistic Adults [d] Roma Neighbourhood Centre	4
South Australia	Northern Suburbs Cooperative Frederick Ozenham Housing	Women’s Housing [d]	3
Tasmania	Red Shield Housing CoHousing Cooperative		2
Victoria	Port Phillip Housing Association [D] St Kilda RHIG [D]	Mitchell Community Housing	3
Western Australia	Activ Foundation Foundation Housing [D]	Goldfields Indigenous Agencies SW Accommodation	4
Total	15	6	21
Notes: [D] Undertakes affordable property development [d] Undertakes development, but on a limited scale only			

**Figure 3: Case study organisations**

Despite the issues raised with sampling, the 21 organisations encompass the community housing sector’s diversity. The survey organisations are located 71 per cent in

‘metropolitan’ areas against 67 per cent in ‘major cities’ for all community housing organisations funded under the Commonwealth State Housing Agreement (Australian Government, 2008b: Table 16A.25). The mix between the 15 mainly tenancy management organisations and 6 development/management organisations is sufficient to allow comparisons between the two types. Whilst the case study organisations in the survey manage between 6 and 536 properties, some two thirds manage over 140 each making them large enough to gather meaningful data on governance issues. Most of the organisations managing small numbers of properties provide broader social services and are part of a larger nonprofit entity. Finally, in view of the limited research on community housing providers from an *organisational* perspective, and against a backdrop of fast-moving policy innovation, this research is only looking to build tentative analytical frameworks ‘from the ground upwards’ (Eisenhardt, 1989: p.546). It does not claim to have collected a representative sample of organisations, nor make general conclusions on the shape of the sector as a whole (Yin, 2003).

## **Developing Sustainable Organisational Structures**

The research helped identify several themes common to most organisations in the survey. In view of the wide range of community housing providers sampled, the consistency of trends relating to organisational structure - and relationship building and networks discussed in the next section - is noteworthy. The survey provides limited evidence in Australia of what organisational theorists term *institutional isomorphism*, or the tendency of organisations operating in the same *institutional field* (i.e. sector) to adopt similar business practices (DiMaggio and Powell, 1983). Isomorphism amongst community housing providers could be of three types: *coercive*, for example through a common regulatory or funding structure; *mimetic*, where organisations follow others in the sector who are seen to be ‘leaders’; or *normative*, where staff professionalisation and networking helps establish a common set of values. Of interest to organisational theorists is where to draw the boundaries of the affordable housing institutional field, containing ‘organisations that, in the aggregate, constitute a recognisable area of institutional life’ (DiMaggio and Powell, 1983: p.148). Is there, as in England, a more coordinated social housing sector containing both community and public housing organisations (Mullins et al., 2001), or are there growing splits within the community housing sector between growth and tenancy management providers?

Nonprofit organisations have a greater choice of legal structures and management practices than commercial companies or the public sector. This is due to the more recent expansion of the third sector as a deliverer of social services, a complex legacy of different legislation and regulation, greater reliance on volunteers - including at board level - and pursuance of a social as well as economic missions (Gilmour, 2007b). All organisations in the survey, with the exception of the one local government provider, are incorporated. However, incorporation may take place under different legislation. Community Housing organisations can be formed as companies limited by guarantee or by shares under the Commonwealth *Corporations Act 2001* or under state-based associations legislation such as Victoria's *Associations Incorporation Act 1981* or the *Co-operatives Act 1992* of New South Wales. The incorporation structure of the survey organisations is shown in Figure 4:

	Co-operative	Nonprofit association	Nonprofit company	Local Government	Total
<b>By location</b>					
Metropolitan	3	7*	5	0	15
Non-metropolitan	0	5	0	1	6
<b>By business activity</b>					
Undertaking development	0	1*	5	0	6
Mainly tenancy manager	3	11	0	1	15
Total	3	12	5	1	21
* One of these organisation was in the process of changing its structure to a nonprofit company					

**Figure 4: Organisational types**

There are mixed views from both community housing organisations and housing researchers as to which legal structure is the most appropriate and provides the most robust governance structure (Bisset and Milligan, 2004). However, of more significance for organisations is differential rules set by regulators, for example in Victoria where *housing associations* must be nonprofit companies but *housing providers* - who primarily manage tenancies - can be nonprofit companies, incorporated associations or cooperatives (Victorian Housing Registrar, 2007: p.12). Potential private sector partners will better understand the Corporations Act than individual state-based legislation which governs associations and co-operatives. Nonprofit housing providers operating across several jurisdictions, such as Community Housing Limited, would also benefit from working under national not individual

state law. Perceptions matter: in a 2004 Melbourne University study of 1,700 incorporated nonprofit organisations, the main reason for being formed as companies rather than associations was to be thought more ‘serious’ and ‘sophisticated’ (Quoted in Bisset and Milligan, 2004: p.11). The tendency towards growth providers moving to registration under the Corporations Act is a good example of both coercive isomorphism, especially in Victoria, and an underlying mimetic isomorphism with one organisational form seen to be more ‘business like’. It also evidences a potential split in the community housing institutional field between growth providers and more traditional tenancy management organisations.

The survey found broad convergence on board structures. Data was provided by 18 of the 21 community housing providers and 15 stated that the selection of directors was ‘skills-based’. This includes the one local government managed organisation in the sample, the Roma Neighbourhood Centre, in Queensland. The three cooperatives were the only organisations that did not claim to have skills-based boards, which is to be expected as they are tenant-managed. Telephone interviews elicited further information on organisations claiming skills-based boards, and they fell into two categories. *Operationally-focused boards* (nine organisations) appointed directors with skills suited to the day-to-day management of the organisation. Skills included finance and/or accounting, community or public sector management, liaison with tenants, legal training, urban planning and property construction and/or maintenance. For example, Mitchell Community Housing and TAS Housing have retired accountants on their boards as treasurers. *Strategically-focused boards* (six organisations) appointed directors with professional skills geared to growth and managing more sophisticated financial and property development transactions. These skills reflect those identified by CHFA (2008b): financial management and modelling; project development; project management; risk planning; business acumen and information technology. They are similar to the ‘generic skills’ identified by Bisset and Milligan (2004: p.22) which included ‘analytical skills in the areas of finance and key strategic issues’.

The split between operational and strategic skills-based boards is mirrored in the organisations’ legal structures shown in Figure 5. Five of the six housing providers with strategically-focused boards were incorporated under the Corporations Act 2001 and the remaining one was in the process of changing from an association to a company limited by shares. By number of dwellings managed, these six organisations were the largest in the survey, and all were located in metropolitan areas, although a number of growth community

housing organisations not in the survey are based in regional areas, such as Loddon Mallee Housing (2008) in Ballarat, Victoria. With board structure, there is a paradox. Most community organisations claim to have ‘skills based boards’, an example of mimetic isomorphism, yet there are different interpretations of what ‘skills based’ means. This is what Erlingsdóttir and Lindberg (2005) refer to as *isonymism*, when organisations use the same names but practices remain different. Analysis of board structures, like legal structures, supports a divergence between growth and traditional community housing organisations.

	Co-operative	Nonprofit association	Nonprofit company	Local Government	Total
Skills-based (operational)	0	8	0	1	9
Skills-based (strategic)	0	1*	5	0	6
Non skills-based	3	0	0	0	3
Unknown	0	3	0	0	3
Total	3	12	5	1	21

\* This organisation was in the process of changing its structure to a nonprofit company

**Figure 5: Organisational type and board structure**

The move towards a more commercial and strategically-focused operational model impacts both growth and traditional housing organisations. This trend is not confined to affordable housing providers and can be seen across most countries’ nonprofit sectors as a result of contracting-out certain social service provision, governance through public-private partnerships and the formation of hybrid organisations close to, but not part of, government (Salamon et al., 2003; Anheier and Salamon, 2006; Gilmour, 2007a). Commercialisation is forcing organisations to seek ways to balance business and social outcomes and a number of respondents acknowledged potential conflict between these goals, particularly when tenants face problems paying rent or engage in anti-social activity. In the survey, 13 out of the 15 smallest organisations stated their strategic planning was undertaken within a framework of written objectives, vision or mission to ensure that business strategies deliver good tenant outcomes. Four of the six largest ‘growth’ organisations also mentioned this, but finance and property development, rather than tenant outcomes, assumed more importance in strategic planning. As with ‘skills based board’ terminology, the use of the term ‘strategic planning’ by both growth and traditional providers may be an example of *isonymism* (using the same words) rather than organisations having the same mix of social and business objectives.

Further support for this split between words and their meaning comes from the fact that all that all survey participants agreed on the need to achieve ‘critical mass’, that is for their organisation to be the optimal size relative to their skills, infrastructure, and finances. However, there was no consensus on the income, number of properties to be managed or staff required to achieve critical mass, and there appears to be divergence in scale between growth and traditional community housing organisations. Within each organisation, critical mass relates to the particular scale of operation needed to meet their specific strategic planning goals. Representatives from three of the six largest organisations stated that it was their *current* size and capacity that allowed them to achieve *future* growth and social outcomes. For example, in 2006 a merger of three Perth-based community housing organisations to form Foundation Housing provided the additional size and capacity to establish a dedicated Sustainable Tenancies Unit which helps stabilise tenants’ lives, improving access to employment. Four of the five smallest surveyed organisations reported they had no aspirations to increase organisational size beyond a modest level. Linda Seaborn from CoHousing Cooperative commented that large organisations lack the flexibility of smaller ones, and that the current focus on ‘growth’ providers does not acknowledge the advantages of smaller organisations. Mitchell Community Housing in Victoria and Red Shield Housing in Tasmania stated that being small enough to know every tenant individually enables staff to liaise more closely with support workers rather than just acting as landlords.

The concluding point in this section of the paper is the important role that staff play in making the community housing sector sustainable. Prior to the launch of the National Rental Affordability Scheme in 2008 with the potential for new tax-credit equity investments and higher bank debt, organisations relied almost entirely on public subsidy to pay staff costs. Recently formed community housing providers, such as Brisbane Housing Company established in 2002, needed sufficient initial grants to recruit, train and motivate staff - a point noted in the interview with their Chief Executive Officer. Continuing professional support and training for staff, particularly in business management skills, was noted by other interviewees as being particularly important. The head of Agencies for South West Accommodation commented that a big problem in the community sector is the need for different staff skill as organisations grow. People often enter the sector to help others who are less fortunate, but as their careers progress and organisations expand, a different and more ‘hard-nosed’ commercial skill-set is required. Examples were given of the personal challenges staff face in balancing more commercial approaches with achieving the best

housing outcomes for their tenants and local communities. With staffing, as in other aspects of organisational development surveyed in this paper, there is support for a divergence in outlook between the growth and traditional community housing providers.

## **Managing Relationships & Building Networks**

The second main theme emerging from the survey was the importance of relationships between affordable housing sector actors and the importance of networks which link them together. Networked forms of governance, characterised by more complex relationships between housing organisations and their regulators, funders and external service providers, are becoming more important in the Australian community housing sector. Governance by network contrasts with the more hierarchical relationships between governments and public housing providers based on a principal/agent relationship with an active/passive power balance (Reid, 1995; Rhodes, 1997; van Bortel and Elsinga, 2007). Australia has not moved as far as England in breaking down the traditional divide between public and nonprofit housing although there are some examples such as the public-private partnership to re-develop a large public housing estate at Bonnyrigg, Sydney (Mullins and Rhodes, 2007; NSW Department of Housing, 2007). The importance of good working relationships between community housing organisations and service providers, other housing groups and government agencies was a recurring theme from the survey. Practical networking skills were often raised as the most important factor contributing to the success, both in delivering quality tenant services and spread good practice between different providers. As noted by one respondent, ‘the networking component of Community Housing Canberra’s operations is very important, and we have built up a wide range of linkages’.

In the survey, participants identified the most *important* relationships to their organisation: these were first with State Housing Authorities, followed by with tenants, local councils, referral and other community agencies, state community housing peak bodies, other state government agencies, and the local community. Participants were then asked to rate the *difficulty* of maintaining these relationships, on a scale of one to ten. As shown in Figure 6, significantly the most difficult were with State Housing Authorities and other state agencies. Only two organisations suggested that their organisations had no difficulty in maintaining relationships with stakeholders. Respondents were also asked about what relationships they lack, or would like to cultivate further. Of the ten organisations managing the lowest number

of tenancies, four stated they would like better relationships with other similar organisations, and three commented they would like closer links with providers of social services for their clients. These findings from the survey were reflected during subsequent interviews.

Relationship with ...	Difficulty in managing relationship*
State Housing Authority	6.6
Other state government agencies	5.4
Federal government agencies	4.6
Local community	4.5
Local government	4.4
Other housing organisations	4.1

\* Organisations ranked difficulty of managing relationship on scale of 1 (no difficulty) to 10 (very difficult)

**Figure 6: Difficulty of managing relationships**

There was an overlap in responses between relationships viewed as important and those viewed as difficult to maintain. This was particularly true for relationships with State Governments. In the written survey, 15 out of the 21 participants provided information on relationships. Of the responding organisations, 11 rated their relationships with State Housing Authorities as the most difficult to maintain (including all of the ‘growth’ providers), and 9 stated their organisation’s relationship with their State’s Housing Authority was either the most or the second most important relationship. The hands-on regulatory approach by State Governments and their role in distributing funding earmarked by the Federal Government for community housing helps explain the importance of the relationship with state governments, but not why the relationship is difficult. Australia’s approach is similar to the US where tax credits are funded nationally and allocated to housing organisations by the states, but different to England where funding comes direct from the Housing Corporation, a non-departmental London based government agency (Schwartz, 2006; Housing Corporation, 2006). Community housing organisations’ relationships with government were further explored in the telephone interviews and three themes emerged which are discussed below: the need for consistent housing policy and funding, clarity with asset ownership and concerns about the sector’s independence in tenant selection.

Three larger growth providers that manage extensive property portfolios and raise debt finance argued strongly that their ability to borrow from banks is impeded by uncertainty

over the consistency of government policies and funding. In the survey, Brisbane Housing Company suggested a minimum five year forward funding commitment had been vital to their organisational planning and strategic direction. Port Phillip Housing Association stated that business planning is hampered when funding is not guaranteed from one period of time to the next, making it hard to engage the private sector who are looking for certainty in their business dealings. However, the issue is not restricted to the largest providers: six of the nine smallest organisations also reported lack of funding certainty as their most significant impediment to strategic planning and risk management. For example Co-Housing, a small Tasmanian cooperative, noted that an up-front guarantee of funding in their organisation's establishment phase had allowed medium-term planning and the introduction of robust operating systems. Consistency from governments also relates to people: 15 of the 21 survey participants stated high staff turnover in government departments made building relationships difficult and led to a loss of corporate knowledge and a reduction in the government's trust in the community housing sector. The importance of consistent government policy in supporting nonprofit housing is reinforced by overseas experience. In the US, tax credits - the main funding source for nonprofit housing - were introduced in 1986 but only leveraged substantial institutional investment after 1993 when the scheme was declared 'permanent' by Congress (Gilmour and Milligan, forthcoming). In England there has been longstanding bipartisan support for nonprofit housing organisations and the Housing Corporation has provided a consistent regulatory framework over the last two decades (Berry et al., 2006).

For community housing providers managing assets on behalf of State Housing Authorities, there are different approaches to control of assets. Survey participants managing head-leased stock, where property ownership remains in public hands, expressed concerns about who was responsible for major maintenance and the need for continuity of funding for their day-to-day property repairs. Over half the respondents stated asset ownership by their organisation was necessary for business planning and to provide on-going independence and operational security. In England, the US and the Netherlands, ownership of social housing assets has given the nonprofit housing sector a greater degree of distance from government. English Housing Associations have successfully leveraged their property assets and borrowed just over £30 billion (A\$62 billion) from banks as at March 2007 (Housing Corporation, 2008). The 2007 Mapping Project confirmed that asset ownership may increase the opportunities for Australian community housing to engage in more commercial activity. The research found 54 per cent of organisations holding title to some or all their dwellings are

considering a future partnership, compared to 47 per cent of organisations that do not hold title. This difference was more pronounced amongst respondents considering a joint venture partnership with the private sector: 69 per cent of organisations that hold title are considering this type of partnership, compared with 36 per cent of organisations that do not (CHFA, 2007). Interestingly, however, neither Brisbane Housing Company nor TAS Housing, who operate very different business models and scales of operation, believed that asset ownership was not necessarily essential provided that they had secure income streams. For TAS Housing, having title and being responsible for long-term maintenance was seen as a burden for a small organisation and distracted from their main focus on community-orientated tenancy management.

The third issue with relationships with the State Housing Authorities is concern over intervention in tenant allocation policies, and therefore ultimately challenges to the community housing sector's independence. Two of the four Queensland organisations in the sample expressed concerns about their state government's One Social Housing System which forces organisations receiving government funding to accept tenants from a waiting list shared with the public housing system (Queensland Department of Housing, 2008). Tenants at the top of the State's waiting list are often people with complex needs and low incomes. Both organisations reported that acceptance of such tenants will change their tenant profile and increase management costs, whilst decreasing rental revenue. Their ability to cross-subsidise between tenants on modest and very low incomes will be limited if the tenant profile becomes predominantly low income/high need. Whilst this issue only applies to Queensland at the moment there may be changes in other states, for example Victoria is considering requiring newly state-funded community housing schemes to take 50 per cent of tenants from the public housing waiting list. The important, and as yet unresolved question, is the relationship between Australia's public and community housing sectors. In England the two sectors were run in parallel until the 1996 Housing Act brought closer links, including housing associations taking a number of nominations from local councils and the move to 'arms length management' of the remaining public sector housing (Malpass, 2000).

Whilst the written survey did not include specific questions on the topic, the relationship between community housing organisations and their tenants emerged as an important issue during telephone interviews. Tenant participation in the management of community housing organisations has traditionally been a cornerstone of the sector. This is

most clearly the case for cooperatives where tenants hold direct management responsibility. For other types of organisation, tenant participation in governance has normally involved consultation about decisions directly relevant to their housing. In some instances training for tenant representatives and mentoring by board members has proven beneficial. The survey identified several organisations that are re-thinking the issue of tenant participation, particularly to guard against vocal tenants whose views may not always reflect the broader tenant community. For example, Frederick Ozenham Housing Association is assessing the merits of different forms of participation, and Community Housing Canberra involves tenants through an advisory board. Several interviewees saw tenant participation as useful at a social rather than a governance level, to build community capital through higher tenant self esteem and community connectedness. Red Shield has successfully increased tenant engagement through holding gardening competitions and annual barbeques. There is some evidence from the survey suggesting community housing may be moving towards more market-based approaches to tenants, viewing the relationship with them as service provider to customer rather than as members who are part-owners of the organisers.

With resources limited in community housing organisations due to funding constraints and the fragmented nature of the Australian affordable housing sector, networks are of considerable importance. Very few organisations employ more than ten staff - many employ far fewer. The Chief Executive Officer has limited time to think strategically and enter into private sector partnerships whilst still acting as Finance Director and Project Manager. Networks can help by giving access to shared or out-sourced services, and linking housing more closely to other social service provision. For example Brisbane Borders, with financial assistance from the Queensland Government, now operates as part of the Brisbane Homeless Service Centre. This is a community hub where a number of homelessness services such as shelters, healthcare and advisory assistance are co-located and share infrastructure, jointly participate in decision making, and can easily speak to each other for referral and networking. The Service Centre has created economies of scale and increased operational efficiency for all participant members. However, for many of the growth providers this would probably not fit their business model and networking is more in the form of exchanging ideas on best management practice and developing private sector links.

There was a consensus amongst the surveyed organisations that networking, including participation in inter-agency meetings organised by their peak bodies, housing seminars and

conferences, whilst important is time consuming and requires adequate resources. Funding is required to back-fill positions while staff are away, and three regional organisations commented on the high cost of travel and accommodation. Community housing organisations operating in regional and remote locations tend to have the greatest need to connect through networks yet often have the least resources. They rely more on telephone conversations than face-to-face contact and some take advantage of teleconferencing and internet-based resources such as Skype to help overcome their isolation. One organisation maximises participation by its geographically dispersed board members and reduces costs by scheduling meetings to fit in with the timing of public transport. Smaller, remotely located community organisations have been relatively under-researched compared to the growth providers who are the main focus of government policies to increase housing supply.

Non-metropolitan housing organisations also have a more limited pool of people from which to select staff and board or committee members, and fewer specialists available to provide professional assistance. For both organisations in the Northern Territory and one of the two participants in regional Western Australia, lack of access to training facilities was a major concern. Two of the four regional organisations in the sample have developed innovative solutions. The Roma Neighbourhood Centre, based in a town with fewer than 7,000 residents and over 500 kilometres distant from Brisbane, has a very close relationship with the local council and draws on their skills and resources. Agencies for South West Accommodation, located in Bunbury which is 175 kilometres from Perth, has close ties with the Community Housing Council of Western Australia which assists with learning best practice through networks. The organisation achieves critical mass, employing 50 staff, by directly providing a wide variety of services to its community, not just housing. This community development role of community housing is common to a wide variety of surveyed organisations, both growth providers and smaller organisations. Data from the 2005-06 Community Housing Mapping Project also shows that 60 per cent of community housing organisations in Australia are able to offer some type of non-housing assistance (CHFA, 2007). Much of this will be provided indirectly through the network, by referral to government agencies or to other nonprofit organisations.

## Conclusions & Policy Implications

Can Australia's community housing sector rise to the challenge of building and managing a significant proportion of the new properties proposed under the National Rental Affordability Scheme? Whilst recent policy debates have concentrated on finance and regulation, this paper brings the focus back on organisational capacity as an important issue. The survey provides a snapshot of community housing organisations in early 2007, showing a sector already in transition. Growing professionalisation is apparent across the spectrum of organisations, as is a continued attention to providing high quality housing and community outcomes which fit well with the Australian Government's social inclusion agenda. The sector, however, is also being shaped by new styles of regulation and a pressure to operate more entrepreneurially which appear to be deepening a culture divide between growth and traditional providers. This can be seen in their divergence of incorporation status, board ethos, strategic planning, understanding of critical mass and staff outlook. At a time of housing stress for many low and moderate income Australians, the social housing institutional field appears not to be coalescing but rather fragmenting between public housing, entrepreneurial growth providers and more traditional tenancy management nonprofits. If community housing organisations are isomorphing, they are doing so around two different models. Beneath a shared vocabulary of strategic planning, tenant focus and skills-based boards, considerable differences exist at organisational level.

In this newly emerging, complex environment for community housing there are two practical problems highlighted by the survey. First, the relationship between affordable housing providers and state governments is troubled. New housing policies, regulations and funding tools are emerging but they will work best for both community housing organisations and outside investors if they remain stable over time. Unfortunately it is not clear that this will be the case. Policies, regulations and funding may remain divergent between Australian states and territories, potentially inhibiting the growth of cross-border housing organisations, consultants, debt providers and institutional investors. As in the US, the split in housing responsibilities between national and state governments looks set to increase the costs of complexity in supplying additional affordable housing (Gilmour and Milligan, forthcoming). The second practical problem emerging from the survey is that with a highly fragmented community housing sector comprising a small core of growth organisations and a long tail of medium and small providers with few scale economies, networks are important. They are

not, however, always working well - particularly in regional and remote areas. There is little incentive for growth providers, already largely based in metropolitan areas, to work beyond the city limits. Again, as in the US, housing affordability supply solutions may be concentrated in areas where organisations have the highest capacity, not necessarily where there is the greatest housing need.

Government policies for the community housing sector, both nationally and at state level, would be better framed if the sector was researched in more detail. Mapping projects in 1999 and 2005 provided useful broad surveys, but necessarily lacked depth due to the large sample size (AIHW, 1999; CHFA, 2007). Milligan et al. (2004) looked in detail at a smaller number of growth providers, but less is known about traditional providers and the shape of the sector as a whole. Traditional community housing organisations are likely to remain important - particularly in assisting high-needs client groups, managing community-focused smaller projects that might be less attractive to growth organisations, and providing much needed low-cost accommodation in non-metropolitan areas. Longitudinal surveys that chart organisational change over time will be valuable, as will comparisons of growth and traditional housing nonprofits in different countries (for example: Gilmour, forthcoming). The research agenda needs to contribute towards setting housing policy, and ideally policies should include levers which strengthen community sector organisational capacity and build affordable housing networks – not just provide funding and regulation.

Capacity building is complex and requires action by many organisations. Approaches to strengthening capacity can be grouped in three categories: self-help by the sector, private philanthropy and government policy: probably self-help and government assistance are best suited for Australia (Gilmour, 2007c). However, with the potential problems highlighted in this paper of contested distance between community housing organisations and the public sector, care is needed. This is why there are merits in locating a publicly-funded business community sector development unit within a peak organisation rather than as part of government (CHFA, 2008b). Possible capacity building analogues from overseas include 'Futurebuilders' which has since 2004 provided promoted best practice and provided loans, grants and consultancy to over 270 English nonprofit organisations (Futurebuilders, 2007). Futurebuilders deepens institutional capacity by being administered through a nonprofit organisation rather than by government and, as 70 per cent of funding is through loans to nonprofits who have never borrowed before, it builds their future capacity to raise bank debt.

In the US, the Local Initiatives Support Corporation (LISC) is a nationally coordinated organisation operating out of state offices and funded from a mix of commercial, philanthropic and public sources which keeps it independent of government. It has a special division, Rural LISC, who build capacity in non-metropolitan areas (LISC, 2007). Futurebuilders and LISC are examples of how Australia could strengthen community housing organisations, foster more effective relationships and build stronger capacity networks in the affordable housing sector.

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