



Final Report

Partnership working in the design and delivery of housing policy and programs

authored by

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ACRONYMS

ABI	Area-Based Initiative
ACHL	Australian Community Housing Ltd
ACT	Australian Capital Territory
AHIU	Affordable Housing Innovations Unit
AHS	Affordable Housing Solutions
ATO	Australian Taxation Office
BHC	Brisbane Housing Company
CALD	Culturally and Linguistically Diverse
CEO	Chief Executive Officer
CHAP	Cities, Housing and Planning Unit
CHCWA	Community Housing Coalition of Western Australia
CIC Australia	Canberra Investment Corporation Limited
COAG	Council of Australian Government
CSHA	Commonwealth State Housing Agreement (Australia)
DA	Development Application
DCLG	Department of Communities and Local Government (England)
DHA	Defence Housing Australia
FHOG	First Home Owner's Grant
GAO	US General Accounting Office
GFC	Global Financial Crisis
HAF	Housing Affordability Fund (Australia)
HCA	Homes and Communities Agency (UK)
HSARWP	Housing Supply and Affordability Reform Working Party
HMR	Housing Market Renewal
HUD	US Department of Housing and Urban Development
IP	Intellectual Property
JV	Joint Venture
LAA	Local Area Agreement
LSP	Local Strategic Partnership
MA	Mission Australia
MAA	Multi-Area Agreement
MHPI	Military Housing Privatization Initiative
MOU	Memorandum of Understanding
NAHA	National Affordable Housing Agreement (Australia)
NBJESP	Nation Building and Jobs Economic Stimulus Plan

NDC	New Deal for Communities
NEJV	Non-Entity Joint Venture
NGO	Non-Government Organisation
NHSC	National Housing Supply Council
NIMBY	Not-In-My-Backyard
NPA	National Partnership Agreement
NRAS	National Rental Affordability Scheme (Australia)
NSNR	National Strategy for Neighbourhood Renewal (UK)
NSW	New South Wales
ODPM	Office of the Deputy Prime Minister
OoH	Office of Housing (Victoria)
PAT	Policy Action Team
PFI	Private Finance Initiative (UK)
PHIT	Providence Housing Investment Trust
PM&C	Prime Minister and Cabinet
PPCP	Public-Private Community Partnership
PPHA	Port Phillip Housing Authority
PPHT	Port Phillip Housing Trust
PPP	Public-Private Partnership
QAHC	Queensland Affordable Housing Company
RMBS	Residential mortgage-backed securities
SAAP	Support Accommodation Assistance Program
SAHT	South Australian Housing Trust
SEPP	State Environmental Planning Policy
SEU	Social Exclusion Unit (UK)
SIU	Social Inclusion Unit (Australia)
SME	Small- and medium-sized enterprise
TOD	Transport-oriented Design
UK	United Kingdom
US	United States
VFM	Value for money
WTIM	Working Together in Minto

EXECUTIVE SUMMARY

The past decade has seen the emergence of partnership formations between government, private and not-for-profit sectors in the delivery of services and infrastructure in Australia. A diverse range of models and frameworks are being developed which encourage collaboration in long-term partnerships on the grounds of mutual benefit. Advocates point to improved efficiencies as government liabilities are taken off the balance sheet and risk/reward profiles are transferred. Collaboration provides a basis for innovation, skills transfer and transformation of traditional structures and frameworks for implementation. However, issues of governance, accountability, flexibility and ensuring community interests are best served ensure that policy's enrolment of partnership models is both challenging and contentious.

Although partnership arrangements in the design and delivery of policy are longstanding, current interest in partnership working within housing and related urban programs is being shaped by a number of imperatives. In part, it represents a case of 'catch up' on the part of housing policy interests, particularly when compared with delivery models seen across other built environment and urban infrastructure fields in recent years. Second, insight and experience emerging from the early application of models such as Public-Private Partnerships (PPP) within housing-led urban renewal programs are also starting to come through, enabling initial lessons to be identified. Third, new policy directions, associated initiatives and expenditure have placed the need for partnership working and improved coordination centre stage, including the following:

- A commitment to partnership working underpins new directions within government, through both the operation of the Council of Australian Governments (COAG) and the National Affordable Housing Agreement (NAHA).
- Many housing reform directions—for example encouraging diversity and growth among community housing providers—encourage, and are in large part dependent upon, ensuring partnership working across public, private and non-profit sectors.
- Recent Commonwealth-initiated programs, notably the National Rental Affordability Scheme (NRAS) are also predicated on partnership working, drawing upon the distinct skills of each sector to establish models that can operate to mutual benefit.

Research aims and objectives

Presenting a stock-take of the opportunities, challenges, expectations and implications tied to partnership arrangements in the design and delivery of housing and related urban policy and programs, this research aims to:

- Provide a review of key issues related to partnership arrangements, focusing on opportunities and barriers faced in the development and delivery of policy objectives.
- Establish whether the housing and urban policy context raises specific needs, opportunities and challenges for partnership frameworks, to identify what those specific issues are, and to consider how they may be addressed.
- Help inform new initiatives where partnership working will be integral to viability and long-term success.

Although we recognise the importance of the myriad partnership arrangements influencing the design and development of policy and programs, this research focuses on, following Reid (2001), what we refer to as *cross-sectoral partnerships*. We adopt

the term in our consideration of models and frameworks that represent the structured collaboration across public, private and not-for-profit sectors, alongside the target groups, residents and communities tied to the geographies where those partnerships operate.

Research approach

We have not sought to pre-empt formal evaluations of the outcomes of specific partnership models, or working practices tied to particular initiatives, against a strict set of criteria. We do not, for example, seek to compare in cost-benefit terms Joint Ventures with Project Alliances, or the success of one NRAS partnership model over another. Rather the qualitative approach taken in this research promotes a focus on understanding how organisations across different sectors are responding to the partnership 'steer' put in place by current policy settings. Through discussing the experiences of trying to establish such arrangements with those engaged in partnership building, we tease out how these policy interests are being translated in practice.

This research draws upon interviews with over 40 experts, practitioners and policy-makers. All have detailed insight into partnership working practices, although we have intentionally cast our net wide to hear from a wide range of perspectives. There has inevitably been a focus on talking to those involved in housing and urban renewal projects in Australia, for example Bonnyrigg (NSW) and Kensington (Victoria), and to those involved in establishing and building partnerships based on the opportunities presented through NRAS.

We have also talked to key stakeholders involved in built environment and infrastructure provision where partnership activities are arguably more engrained within business practice and track records more established. In doing so, we have been able to explore models which have not been adopted on a large scale within the housing sector to date, but where there are some potentially interesting transferable lessons. By interviewing a number of multinational developers and overseas experts, an international perspective is added, highlighting the interplay between broader policy and regulatory frameworks and the nature of partnership activity enabled within those different jurisdictions.

The purpose of this research has not been to come out for or against the principles of partnership working or particular partnership models. Rather, we adopt a pragmatic view—echoed by the large majority of interviewees—that such arrangements offer, within otherwise constrained policy and fiscal contexts, potential to innovate and 'do something'. As such, the report reflects the tone of participants directly engaged in partnership working on the ground or seeking to get partnership arrangements up and running. Although highly aware of the limitations and risks involved, discussions are thus framed by interest in 'making things happen'.

Research findings and policy considerations

Innovation in housing and urban policy partnerships?

When you bring non-profits and for-profits together, there's such a big cultural difference between these worlds, it's very hard for them to interface. They're driven differently, structured differently. So we tried to create a vehicle that could interface with both (interview)

First observations may suggest that, to date, partnership working in the Australian housing and urban policy context has been characterised by a limited number of high-profile initiatives. Most partnering arrangements—although underpinned by collaborative practice, coordination and a desire to bring together a range of skills and

capacity sets—essentially reflect arrangements structured by traditional contracts. And although current policy discourse makes much greater use of partnership terminology, the realities of financial, regulatory, business and the development process means that those aims inevitably get mediated in practice.

New forms of partnership are emerging rather than fully established and tested, and the opportunities presented by recent policy settings need to 'bed in'. Appropriately at this time, a degree of experimentation, of give and take, and risk-taking by all parties are framing the nature of collaboration and coordination being explored. Innovation will also be partial in the early stages until those policies have matured, and all sectors and markets understand what involvement in these new asset classes means. For example, many NRAS partnerships are adopting collaborative frameworks held together as consortia rather than fully integrated arrangements, where each entity 'does what it does' and is not overly exposed to risks presented by the activity or responsibilities of others.

Second, one of the principal vehicles for partnership working—the community housing sector—is experiencing a strong learning curve itself. Facilitating partnership working underpins a number of elements of the Housing Reform Agenda, and parallels the desire to see diversification in affordable housing provision through the growth and diversification of providers. In response to these challenges, organisations are transforming their role, establishing scale and moving from essentially a tenancy management role to working in partnership with developers and financiers to grow portfolios. The opportunities presented by NRAS act as a catalyst for the not-for-profits to build necessary skills and capacity for this more substantive role.

Third, while there has been a longstanding history of partnership working associated with housing and urban renewal activity, the degree of complexity and upfront investment tied to more structured arrangements (where private sector finance is integral) ensures that their use to date has been more limited. Such models depend on establishing a degree of consistency and opportunity to replicate the approach over a number of projects. Although a potential 'market' for estate renewal PPPs, for example, can be identified across Australia – not least given current interest at both Commonwealth and state government level in tackling concentrations of social disadvantage—the specificities of place and the interplay between built form and people-based outcomes counter against a 'one size fits all' roll out.

Are there specific factors shaping housing and urban partnership arrangements?

I think what makes this work is that even though the relationship diagram for the different components of the partnership contract look like spaghetti on a page, and the contract is in language and legalese that's almost impossible to digest ... what the contract means, really ... [is that] each organisation has a different kind of value that they bring. The vision and the outcome is something that we always come back to. (interview)

In many regards, the factors identified by our interviewees as integral to the success (or otherwise) of partnership arrangements in the housing and urban renewal context can be considered true of any form of collaborative practice. In terms of the process of partnership working, these include:

- Having an effective brief and tendering process which allows innovation to be fostered and the benefits of collaborative thinking from the outset to be maximised.
- Developing a comprehensive evidence base upon which a shared vision and series of shared outcomes can be established.

- Fostering shared understanding across parties who are likely to have different skills sets, motivations and expectations for collaboration.
- Ensuring appropriate allocation of risk (and reward) between parties and preparedness to share those risks where necessary.
- Building communication and trust among parties, valuing the informal synergies that evolve but recognising the importance of the clarity and certainty provided through formal, contractual aspects of the partnership.
- Establishing structures that facilitate innovation within the context of partnership activities, but which also enable best practice and new ideas to feed back through to respective organisations and sectors.

However, a key interest of this research has been to consider whether the housing and urban renewal context raises any specific or distinct issues that impact on the viability or appropriateness of partnership working. Drawing upon insight from our interviewees, *we argue that it does*. Four key features are identified:

1. The impact of place and community in shaping the scope and nature of partnership working.
2. The complexity of housing (and particularly mixed-tenure housing) as an asset class.
3. The challenge of balancing certainty with flexibility in structured arrangements given the changing policy and housing market contexts within which partnerships operate.
4. The risks associated with increased interdependencies between public, private and not-for-profit sectors.

We consider each of these below. All can be seen to add to more generic challenges involved in partnership working, but equally act to shape the type and nature of collaboration necessary in a housing and urban context. They also help underpin considerations as to why a collaborative approach, involving all those with stakeholders in that place—private, public, not-for-profit—may (or may not) be appropriate.

Place and community in partnership working

The contract exists to ensure that there is a place-based approach more than anything and all the bits tie together. That's, I think, what the contract does. At the end of the day, we do sign off on plans, but really ... the essence of it is you've all got to coordinate what you do for the best interests of that place.
(interview)

Any major intervention or infrastructure project will impact on the localities in which they are being built. However, the more immediate, and often political, nature of housing supply and urban renewal activity can act to heighten these considerations. Crucially, people and communities are involved, and partnership activities have to be grounded and shaped by context and place if that partnership is to be accountable, and their remit determined legitimate. An emphasis on 'best outcomes for place' resonated in our interviews with those who are involved in Kensington, Bonnyrigg or have experience of area-based renewal initiatives overseas.

Although concerns regarding the marginalisation of community interest and a loss of public accountability in the face of private sector imperatives can be raised, alternatively, effective partnership working may be seen to provide a more inclusive, engaged change agent for the whole of the community. In this regard, expectations tied to the degree of 'altruism' captured in partnership arrangements come in to play:

can such frameworks genuinely move beyond the contractual terms shaping the rationale for partnership activity, and if so, on what basis?

Partnership frameworks and establishing a new asset class

None of our partners invest in the consortium. They just do what they do. Developers go off and get development finance and build properties. Banks lend to investors. Managers manage property and we just facilitate the whole thing over 10 years. We just package it all up. (interview)

For raising finance for what is required to make NRAS work—very, very, different kettle of fish. [There's] no finance is available in Australia at this point in time for any of those projects other than those who might be working with developers for development finance, who are then reselling them into the retail market through the Mum and Dad investors with the Defence housing type model. (interview)

A second distinctive feature reflects the challenges and opportunities presented by the distinctive qualities of affordable housing (and more broadly renewed neighbourhoods) as a 'bundle of goods' to be understood, priced and delivered within cross-sector partnership contexts. Encouraging institutional investment into the residential sector has long been the Holy Grail; trying to attract those funds into an emergent asset class is all the harder. A combination of modest returns, illiquidity of the asset, and unpredictability of market and tenant behaviour has meant that large-scale investors have traditionally stayed away from the residential sector. Add to the mix further complexities—restrictions on whom you can rent to, and for how much for a 10-year period—and the challenge becomes clear.

Many of our discussions highlighted how the implicit policy steer accompanying NRAS has spurred innovation with a range of unlisted property trusts, JVs and debt-funded projects emerging. Nevertheless, a large majority of partnerships being developed are essentially structured around consortia arrangements which enable each party to 'do what they do' rather than get tied up in complex, integrated frameworks with commensurate exposure to risks they are not well placed to manage. While bringing large long-term funds into the affordable residential sector is logical—the sensible marriage of steady returns and large funds looking to invest—the underlying nature of individual-led investment in Australia's private rented sector should not be obviated. The retail investment consortia approach being developed by a number of our interviewees arguably better reflects the motivations and expectations of Mum and Dad investors (Seelig et al. 2009) and underpins the success of Defence Housing Australia's sales and leaseback model.

Balancing certainty and flexibility in structured partnership arrangements

By definition, the renewal of a 'living community' has to be flexible ... On the other hand, a PPP, by definition, is all about structured finance, that there will be fixed in and locked in cash flows to service fixed in and locked in debt structures, which have fixed in and locked in payment structures. That might get you the most efficient finance, but in no way gives you the capacity to get the very best outcome of a renewal ... You can't change designs too much, you can't do this, you can't do that, because you have got to meet this locked in cash flow for 13 or 14 years. (interview)

The long-term nature of a structured partnership approach, such as the 30-year term at Bonnyrigg, raises a number of questions regarding ability to respond to changing social, policy and market contexts over this long timeframe. Neighbourhoods and communities change and evolve, regardless of whether major intervention is taking place or not, and thus putting in place plans that stretch out over that long-term would

appear to clash against this flux. Housing markets rise and fall, economic and employment patterns evolve, and residential preferences and choices can radically alter over that period of time. Policies and governments also come and go. In this regard, are the objectives and nature of outputs envisaged at the outset still relevant 10, 20 years into the agreement?

Alternatively, the 'fix' accompanying complex partnership arrangements can be seen to offer a level of certainty, ensuring continuation of the initiative for the term of the contract. In times of economic recession, there is a degree of assurance of funding for developers when the wider housing market might be highly constrained. Equally, the tie-in provides stability for the community, with commitment there to complete what has been started. The rapid withdrawal of public funding from long-term renewal programs in the face of budget constraint, as seen in the UK for example, highlights the risk of political expediency.

Increased interdependency between private, public and not-for-profit sectors

The structural and institutional implications of promoting greater cross-sector working may raise concerns in terms of policy and market 'lock-in' over time. Given that a key policy goal is to provide conditions and a level of certainty and commitment so that the private sector can respond, it follows that the architecture of that response will be shaped and defined by those policy settings and subsidy structures. This may raise difficulties both in terms of exposure during cyclical downturns and in embedding path dependencies as objectives shift over time.

The public and not-for-profit sectors can build positive synergies with the private sector when times are good, but when funding streams collapse, control on the delivery of those non-profit, social elements in mixed projects is put at risk. For example, if partnership activity is reliant on healthy housing markets and planning gain to deliver affordable and social housing, then when one freezes, the other is likely to be severely curtailed.

In relation to developing potentially inflexible path dependencies in the longer term, policy settings appropriate at one point in time may become less efficient or warranted at a later stage. If the market and institutional response encouraged by those settings has become dependent upon those particular subsidy structures, then they become difficult to unwind. For example, many community housing providers are utilising NRAS as one of a number of funding components to facilitate scheme viability. In establishing market interest and financing around these models, are we locking in quite a complex set of interdependencies that are hard to unravel?

What role for government and policy-makers?

Partners will come together and cooperate under their own volition where it makes sense to do so. They do so under the broader policy and regulatory frameworks put in place by governments. Policy can encourage and indeed necessitate the process, but partners will inevitably only connect and stay connected where the context and resulting outcomes make it worthwhile. Given the breadth of activity covered in this research, the following policy considerations are not tied to specific initiatives or models. Rather, we are interested in wider principles shaping policy and government positioning and enrolment of partnership approaches. Three issues are considered:

1. Supporting cross-sector partnership arrangements (and indeed other mechanisms as appropriate) that make sense in terms of 'best-for-project, best-for-people, best-for-place' as much as on financial efficiency grounds.
2. Balancing the desire to build scale through promotion of favoured models and retaining a level of flexibility within policy structures to enable innovation.

3. Providing leadership through strategic clarity, certainty and fostering accountability.

When cross-sector partnership working might be appropriate, and why

If you're just using prevailing systems and cultures [a partnership] can be quite difficult to get off the ground. You actually need a fresh approach. (interview)

This research has not explicitly set out to critique or endorse current policy interest in partnership working. However it can be suggested that the arguments raised on both sides have a tendency to polarise, determined by standpoints taken towards the neoliberal frameworks in which public expenditure, private investment and the role for the not-for-profit sector are negotiated. This undermines the potential for more nuanced debate regarding the appropriate form and nature of partnership working based upon building better understanding of the outcomes required, by whom, and the most effective means of achieving those outcomes. Rather than justifying cross-sector arrangements in terms of financial or project delivery efficiencies against 'public sector comparator' measures, a 'best-for-project, best for people, best-for-place' approach presents a more robust view.

By focusing on required outcomes at the neighbourhood/community level, it is legitimate to suggest, for example, that mixed financing arrangements and a joined-up, collaborative partnership across sectors may be better placed to deliver policy-preferred mixed-tenure outcomes than either sector going it alone. Similarly, both the public and private sector have, in isolation, failed to adequately respond to the growing demands for affordable housing and the needs of an intermediate housing market. Given the 'pathways' nature of housing products required in this space, the logic behind advocating cross-sector arrangements which can share the risks effectively and appropriately, would also appear strong. Where innovation is required, for example in how we might retrofit existing suburbs in response to climate change, again, it can be argued that a collaborative, cross-sector approach offers the prospect of transcending current silos.

By contrast, where complex arrangements are promoted for more straightforward activities and where motivations are overwhelmingly driven by an interest in taking capital costs off public sector balance sheets, then the dividends against the level of complexity involved are likely to be less. Acknowledging that convoluted cross-sector arrangements might not always be the most effective response also offers space for government to pursue other tried-and-tested settings. This might take the form of renewed confidence in public sector leadership where this makes sense in terms of risk profiles, or other means of working with the private sector to help deliver policy goals, for example through government-backed bonds or guarantee arrangements, or shallow subsidy frameworks underpinning initiatives until they can become self-sustaining.

Flexibility, underpinned by policy certainty

A strong emphasis on the importance of context, place and community in helping shape and determine appropriate policy and program responses has emerged in this research. These inherently *spatial* considerations provide a focal point for agreeing shared outcomes, underpinning the rationale for collaboration and helping determine (alongside financial and economic realities), the most appropriate form that partnership working might take. It points to a view that there is no one-size-fits-all solution. However, encouraging different approaches risks undermining the potential to build scale, and therefore market interest around particular models and frameworks.

Housing policy and programs will (and arguably should) struggle to advocate a preferred approach. The diversity of challenges and opportunities presented by existing communities and broader housing market and economic contexts within

which housing interventions take place, suggest that a range of models should continue to vie for attention. In western Sydney, for example, the responses required (and in operation) in Bonnyrigg, Villawood and Telopea are different, and thus the range and levels of partnership activity are equally so.

The need for flexibility in approach has also been seen in the early years of NRAS. Although there has been a clear direction provided in terms of commitment to growth in the community housing sector and a view that not-for-profits should play a leading role in delivering NRAS, government has sought to stimulate innovation rather than advocate a one-size-fits-all approach. As difficulties or barriers have become apparent—for example in terms of conflicting policy settings or tax rulings—there has arguably been a willingness to facilitate rather than obstruct opportunities. Such flexibility inevitably adds to complexity for policy development and delivery, but has arguably led to greater diversity in terms of approach than otherwise might have been the case.

Fostering flexibility needs, however, to be underpinned by solid foundations in the form of commitment to the policies themselves, the objectives that those policies are seeking to achieve, and the funding attached to them. The recent announcement regarding a cap on the NRAS program as part of Federal budget savings in response to the Queensland floods has met with considerable concern voiced from a wide range of stakeholders across both profit and not-profit sectors. This is not only reflective of the immediate effects on partnerships with 'live' applications in the current round, but also such a decision's impact on building certainty and providing assurance of government commitment for the longer term (Horin 2011).

Strategic leadership and accountability

Do the partnership arrangements ensure that the community can be well informed about the obligations of government and the private sector partner, and can these be overseen by the public auditor? (Grimsey & Lewis 2004, p.158)

You can't transfer political risk but you can transfer financial risk. (interview)

Identifying the importance of maintaining flexibility and support for a wide range of possible partnership approaches in the housing and urban renewal context comes with the corollary that the requirements for consistency through regulatory frameworks (with associated reporting requirements), greater coordination across departments and tiers of government, and strategic leadership are heightened. Success is not simply determined by getting the structure, team and internal governance of the partnership itself right. It is also dependent on strategic clarity being in place. In part, this relates to the continual search for better coordination between and across policy areas that impact upon partnership activities. It also depends on provision of coherent policy contexts that provide certainty and the basis for shared understanding and negotiation—for financial institutions, developers, not-for-profits and communities alike—that help all parties identify with appropriate frameworks for working together. There is both a temporal (i.e. long term commitment) and spatial dimension to this.

Government also needs to take the lead in encouraging and enabling greater accountability. Calls for transparency of partnership activities and process often relate to market interest in the disclosure of information so that risks can be better understood and therefore priced. More importantly, they need to encompass accountability in political terms, including to the neighbourhoods, communities and individuals most directly impacted by those activities. Private sector recourse to 'commercial in confidence' considerations often scuppers opportunities for sharing of best practice as programs and initiatives mature and this opacity risks adding to the

air of complexity and potential sense of detachment from those most affected by partnership activities on the ground. It is in this regard that structures put in place by government need, first and foremost, to balance 'efficiency and effectiveness' imperatives with basic principles of good governance.

1 INTRODUCTION

1.1 Background

In recent years, projects across Australia have demonstrated that partnerships between state and local government, non-profit housing developers, community housing organisations and private financial institutions can create attractive, sustainable affordable housing developments that not only serve residents, but also are an asset to the broader community. (Housing NSW 2010).

In recent years the transformation from 'government to governance' has resulted in the increasing importance of cross-sectoral partnerships and networks as key institutional mechanisms. This shift has seen the emergence of new contracting, procurement and management structures, such as PPPs, Alliances and JVs, as perceived dichotomies between the public and private spheres decrease (Hemphill et al. 2006; Sagalyn 2007). Advocates point to improved efficiencies as government liabilities are taken off the balance sheet and risk/reward profiles are transferred. Collaboration provides a basis for innovation, skills transfer and transformation of traditional structures and frameworks for implementation. However, issues of governance, accountability, flexibility and ensuring community interests are best served mean that policy's enrolment of partnership models is both challenging and contentious.

Partnership arrangements within housing and urban programs are longstanding and therefore not entirely novel. However, current interest is being shaped by a number of imperatives. In part, a focus on facilitating greater levels of collaboration represents a case of 'catch up' on the part of the housing policy interests, particularly when compared with delivery models seen across other built environment and urban infrastructure activities in recent years. Second, insight and experience emerging from the early application of models within housing-led urban renewal programs are also starting to come through and initial lessons identified. However, arguably the largest impetus stimulating increased attention is in response to recent developments within Australian housing policy where new housing reform directions, associated initiatives and expenditure have placed the need for partnership working and improved coordination centre stage. A number of important drivers can be identified.

- A commitment to partnership working underpins new directions within government, through both the operation of the COAG and the National Affordable Housing Agreement (NAHA). 'Partnerships' are enrolled as a means of framing improved collaboration and coordination between tiers of government and as a means of integrating and joining up departmental interests.
- Many of the housing reform directions—for example encouraging diversity and growth among community housing providers—are predicated on ensuring that partnership working can be encouraged and supported. There is a recognition that collaboration is required in order to deliver the kind of outcomes desired, but also acknowledgement that such collaboration is necessary: the skills, capacity and resourcing available to any one sector working alone are insufficient.
- A number of Commonwealth government-initiated programs, notably the National Rental Affordability Scheme (NRAS) are essentially predicated on partnership working, drawing upon the distinct skills of each sector to establish models that can operate with mutual benefit.
- There is an increasing recognition from Canberra that housing policy issues and challenges are a component part of the pressing need for more strategic

engagement in the planning of Australia's capital cities. The need for national criteria for housing, urban development, transport and sustainability has been identified (COAG 2009a), and the activities of the newly formed Cities, Housing and Planning Unit (CHAP) in Federal Treasury, the Housing Supply and Affordability Reform Working Party (HSARWP)—alongside the remits of the National Housing Supply Council (NHSC), the Social Inclusion Unit (SIU), Infrastructure Australia and the Major Cities Unit—all point toward the centrality of coordination, collaboration and cross-sectoral collaboration.

Many of the oft-cited benefits and challenges of partnership working more generally are equally pertinent to the housing and urban sector. However, this research is also guided by an interest in whether there are more distinct issues arising in partnership considerations in housing and urban policy contexts. Their use in a regeneration context, where often disadvantaged existing communities may be affected, arguably adds further layers of social policy interest in such arrangements. Similarly, the benefits of developing mixed-income, mixed-tenure communities—potentially providing better opportunities for social inclusion—are hard to quantify, and therefore difficult for the private sector to 'price' over the long-term. Distinctive challenges and opportunities are also likely to accompany policy initiatives such as NRAS. Their success or otherwise will depend on the operation of a diversity of partnership models sufficiently flexible and sophisticated to operate across a range of social and housing market contexts if they are to reach their intended scale.

1.2 Project aims and research questions

The project's aims are:

- To provide a review of key issues and themes related to partnership arrangements, focusing on opportunities and barriers faced in the development and delivery of policy objectives.
- To establish whether the housing and urban policy context raises specific needs, opportunities and challenges for partnership frameworks, to identify what those opportunities and challenges are, and to consider how they may be addressed.
- To help inform new policy initiatives where partnership working will be integral to viability and long-term success.

We have not sought to pre-empt formal evaluations of the outcomes of specific partnership models, or partnership working practices tied to particular projects or initiatives discussed, against a set of criteria. We do not, for example, seek to compare in detail Joint Ventures with Project Alliances or the relative merits of one NRAS partnership model over another. There are a number of factors that have informed this scope.

- It is simply too soon to draw meaningful comparisons between a range of partnership (and indeed non-partnership) models given their innovative nature in the Australian context. There is one fully-fledged housing PPP in the country (Bonnyrigg in southwest Sydney, NSW), and partnership models being explored in the context of NRAS are at an 'emerging' rather than 'established' stage.
- With organisations in the formative stages of partnership working, it would not be feasible to tease out the financial considerations and commercial imperatives involved. While acknowledging that difficulties in gaining access to such information highlights a core concern of partnership activity between the public and private sector—transparency and accountability in terms of understanding the full efficiency of the use of the public component of those funds—we have not set out to demonstrate the *effectiveness* or otherwise of that expenditure. However, we do explore those factors that shape how we might understand costs/benefits

for parties concerned beyond financing considerations in the context of housing and urban policy objectives.

Rather, we focus on how organisations are responding to the steer towards partnership working put in place by current policy settings through discussing the experience of trying to establish such arrangements. In so doing, the objective is to contribute to a better understanding of how partnership arrangements are being shaped and deployed in helping deliver current reform and broader housing and urban policy objectives.

The following research questions have guided the research in order to meet these aims:

Understanding partnerships

- What are the key elements and characteristics of partnership arrangements? Who are the key stakeholders? What are the critical success factors for each?
- How is 'mutual benefit' (risks and rewards) negotiated and defined between partners? How are different reporting requirements, risk profiles and priorities of stakeholders reconciled? Do these arrangements evolve over time?

Role of partnership working for housing/urban policy

- How are partnership arrangements being used to design and deliver housing and urban policy?
- Who are the 'partners' (public, private, community) and potential partners engaged in the delivery and management of housing and urban renewal initiatives?
- Do stakeholders perceive the housing policy arena as too difficult, risky or limited in terms of opportunities for financial return for partnership? How can these risks be mitigated and opportunities maximised to ensure optimal outcomes?

Informing housing/urban policy and program delivery

- What principles, flexibilities or guidelines need to be considered by housing and urban policy-makers in addressing expectations tied to recently announced initiatives?
- How are 'social/community' interests, often intangible and difficult to quantify, accommodated in partnership arrangements?
- What are the implications in terms of the skills sets and infrastructure associated with government support and engagement in partnership arrangements?

1.3 Research scope and some definitions used

'Partnership' is an incredibly loose term, enrolled in a multitude of ways. The term is used to define relationships between tiers of government and across departments, across a range of programs around particular agendas, or to describe arrangements focused on the design and delivery of particular projects and initiatives. They can be formal, informal and commonly an amalgam of both. They may be time-limiting and specific, or enduring and evolving. Not all partnerships are complex, nor do they need to be. Given that the benefits of collaboration and coordination are often accompanied with high transaction costs (in the initial stages at least), more straightforward, traditional procurement models are often likely to be more appropriate.

Although we recognise the importance of all varied forms of partnership working within the design and delivery of housing policy and programs, this research focuses upon what we refer to, following Reid (2001), as *cross-sectoral partnerships*. We adopt the term in our consideration of models and frameworks that represent structured

collaboration across public, private and not-for-profit sectors, alongside the target groups, residents and communities impacted upon by the activities of those partnerships. As discussed in Chapter 2, this definition can accommodate a range of partnership frameworks that involve some form of private finance or investment element within those arrangements.

Strategic policy partnerships, which are primarily structured around coordination activity across government agencies or departments, are not our immediate focus. Nevertheless, the role that these frameworks can play in providing certainty within which cross-sectoral partnerships operate is highlighted where appropriate. It is also recognised that a key element of partnership working for many community housing providers relates to their work with support agencies which assist vulnerable people struggling to maintain a tenancy without that support. These aspects of partnership do not fall within the scope of this project.

Current policy and funding frameworks driving interest in partnership working mean that a number of key initiatives have provided a focus for these discussions, notably the major public housing estate renewal projects currently underway across the country, and the roll-out of NRAS, which has fostered both the need and incentives for greater cross-sector collaboration. Looking at partnership arrangements tied to the complexities of place-based renewal as well as those seeking to deliver affordable rental housing over many locations might be considered a somewhat diffuse approach. The context, challenges faced, financing frameworks and desired outcomes at first sight appear quite different. Alternatively, it can be argued—as we do—that understanding the nature, form and outcomes of partnership working across these interests points to shared challenges, opportunities and risks. Furthermore, we would argue that the tasks of place-based affordable housing provision and urban renewal, and the mechanisms and structures required to deliver, are—and will become increasingly—interdependent.

1.4 Research approach

Most existing research about partnerships focuses on measuring outcomes rather than understanding the process of partnership working (Brinkerhoff 2002, p.218). However, concentrating exclusively on outcomes may fail to explain the factors responsible for them. Given that it is both premature to consider outcomes and our core interest to develop more detailed insight into the issues tied to partnership formation and development, a qualitative approach has been taken in this research.

Our findings are based upon interviews with 42 experts, practitioners and policy-makers. All have detailed insight into partnership working practices, although we have intentionally cast our net wide to hear from a wide range of perspectives. There has inevitably been a focus on talking to those involved in high-profile housing and urban renewal partnership projects in Australia, for example Bonnyrigg (NSW) and Kensington (Victoria) and to those involved in establishing and building partnerships based on the opportunities presented through the NRAS. We also talked to key players from other sectors across the built environment where partnership working is arguably more engrained within business practices and track records more established. In doing so, we have been able to explore partnership models which have not been adopted on a large scale within the housing sector to date—for example Project Alliances—but where there are some potentially very interesting transferable lessons.

An important observation to be made upfront is that our research participants—given their direct engagement in partnership working practices—inevitably framed their perspectives in terms of their experiences in developing such frameworks. Most discussed candidly challenges as well as opportunities. Nevertheless, with many of

our interviewees at the heart of getting partnerships off the ground, there is inevitably a sense from this cohort that such efforts—and therefore establishing partnership arrangements—are worthwhile. While much of the discussion is thus couched in a fairly positive language of making things work, ideological and political reservations, concerns and limitations were expressed.¹

By interviewing a number of multinational developers and experts overseas, we have been able to add international perspectives and highlight the interplay between broader policy, governance and regulatory frameworks of different jurisdictions and the form, nature and significance of partnership activity enabled within those different environments. Interviewees from the UK have also informed the research, reflecting that times of economic and financial uncertainty raise significant challenges for partnership models structured by frameworks and assumptions based on more favourable conditions, but also that those models may provide a basis for mitigating those impacts.

Each interview covered a range of issues tied to our research questions, but was inevitably tailored to focus upon particular areas of interest or relevance to the interviewees, and their insights draw upon a range of different initiatives operating in different policy and market contexts. Where possible, interviews were conducted face-to-face, but otherwise conducted by telephone, and depending on feasibility and the preference of the interviewee, discussions were recorded and transcribed. In the case of Bonnyrigg Partnerships, a workshop was held with members from all the constituent parties making up the partnership attending, enabling a discussion among the team and different perspectives to be offered.

1.5 Report structure

The subsequent chapters of this report are structured as follows:

- Chapter 2 sets the context for this research in three regards. First, we consider the factors encouraging increased partnership working, and in particular its potential role in the housing and urban context. We then outline the evolving policy context within which these interests are being shaped and supported. Finally, we introduce the key cross-sectoral partnership models considered in the research.
- Chapter 3 provides a brief overview of examples of partnership working in the housing and urban renewal context. This considers place-based renewal initiatives, partnership arrangements for specialist housing provision and management, local and government engagement in affordable housing development, and emerging partnership models that are being developed in response to the opportunities provided by NRAS.
- Chapter 4 explores a number of key themes tied to the benefits and challenges of partnership working arising from discussions with our interviewees. These consider: issues tied to the facilitating partnership development and maximising the benefits of a partnership approach at the time of briefing and tendering; optimising risk allocation; the challenge of establishing arrangements with appropriate balance between certainty and flexibility over time; and finally the key elements that facilitate effective partnership working between constituent parties over time.

¹ Neoliberal ideology as much as evidence-based argument has played a crucial role in making the case for public-private partnerships. While this research is sympathetic to concerns expressed in this regard, it also recognises that such frameworks and funding realities shape and define the parameters within which all stakeholders involved are required to seek solutions and deliver the policy and community outcomes required.

- Chapter 5 focuses on the significance of context, place and wider strategic spatial frameworks in partnership working. We argue that it is this grounding at the level of the individual, community and neighbourhood that presents a number of quite distinct drivers, challenges and opportunities shaping partnership arrangements in the housing and urban policy context.
- Chapter 6 concludes this report, highlighting a number of policy considerations arising from the research.

2 RESEARCH AND POLICY CONTEXT

All three spheres of Australian government – national, state and territory, and local—have roles to play in addressing and meeting the key challenges and opportunities to improve the productivity, liveability and sustainability of Australia’s cities. This can only be achieved by working in partnership with communities and the private sector. (Major Cities Unit 2010, p.3)

This chapter has three aims. The first is to consider the factors—political, economic, fiscal and social—that have come together to encourage partnership working across sectors, and in particular the rationale for the move toward more collaborative approaches within housing and urban policy design and delivery. Here we identify trends and accompanying challenges and opportunities for policy-makers, practitioners and communities where better coordination between the public, private and not-for-profit sectors are being put forward. Second, we consider the policy context within which partnership working has been increasingly encouraged and supported through broader reform, new initiatives, and new subsidy streams that can be used to leverage private sector interests. A reshaped housing, and emerging urban, policy agenda has also been infused with the language of partnerships—across all tiers of government, and importantly, across sectors. In the final section, we provide a brief overview of a number of key partnership approaches—PPP/PFI, joint ventures and Alliances—prior to discussing in more detail housing and urban renewal partnerships in Chapter 3.

2.1 The rise of partnership working

Cooperation between public, private and non-profit sector organisations to deliver infrastructure and services is not a new phenomenon. Early local examples, from the transportation of convicts to the Australian colonies and building the Sydney Harbour Bridge, characteristically involved the contracting out of particular services. From the 1970s, new and distinctive forms of partnership working have emerged, driven by a new approach to governance, on the one hand, and the inertia of an emerging industry, on the other.

- *Government fiscal constraints*: partnership structures established as separate legal entities could raise finance which did not appear on the national accounts. This was particularly suited to projects with separately identifiable, long-term and relatively stable cash flows such as road, rail and airport infrastructure.
- *Fiscal doctrine*: In the context of a global competition for private investment, the Australian Government—just as other open, flexible economies—has opted for a neoliberal approach. This approach includes, first, tight fiscal discipline to maintain surplus budgets as opposed to the more traditional Keynesian economic approach which in some circumstances would encourage government debt in order to increase social investment; and, second, reductions in some form of taxation to attract private investment (Krever 2009).
- *Shifting views on the role of the public sector*, with new approaches to public service delivery emphasising the benefits of involving private sector partners to bring greater efficiencies and project management skills. These approaches are sometimes referred to as ‘new public management’ (Pollitt & Bouckaert 2004). With a reduced size public sector, the government’s role moves from direct service provision toward sector ‘steering’ through networked forms of governance such as partnership working (van Bortel et al. 2009).

- *Development of partnership capacity* in government, where partnership coordination agencies have been established specialising in facilitating cross-sectoral partnerships (Jooste 2009).
- *Development of infrastructure and service provision capacity outside government*, where reforms and policy direction have facilitated the growth of for-profit and not-for-profit organisations. In particular, the rise of the third sector has seen the emergence of a myriad of non-government organisations (NGOs) that are, although administratively separate from it, mostly dependent on government funding. Such processes have been evident in various countries (Pollitt & Bouckaert 2004), including the UK (Clarke & Newman 1997; Dunleavy & Hood 1994, p.9), the US (Kaboolian 1998) and Australia (Gleeson & Low 2000).

2.1.1 Factors shaping partnership working in housing and urban policy

In this section we identify factors where partnership working, and expectations placed upon greater cross-sectoral collaboration in the housing and urban policy context have been promoted. Given that each warrants critical consideration, they best take the form of open questions:

- Improved value for money on public expenditure?
- Integrated urban renewal?
- Leveraging finance and facilitating growth?
- Enabling reform through transformation?
- Improved tenant/resident outcomes?
- Driving innovation across all aspects of housing and urban policy?

Improved value for money on public expenditure?

A mooted advantage of cross-sectoral partnerships in the delivery of services and infrastructure, from the perspective of the public sector, is a reduction in expenditure compared to other forms of procurement and service provision. Improved efficiency in addressing complex problems can be gained when institutional capacities to deal with them are dispersed across a range of organisations (Harding 1998), and when transfer of risk to private agencies becomes an incentive for effective and timely asset maintenance and service provision (Corner 2005, p.52). However, to some extent the reductions in public expenditure are perceived rather than real. Debts incurred do not show up on the government's financial books. While the short-term capital investment costs for the public sector are reduced, long-term contracts with the private partners—often for decades—could also mean that debt is simply deferred to future governments and future generations (Blakely & Gilmour 2006).

Integrated urban renewal?

Addressing the challenges of concentrations of disadvantage and the need for intervention on many of Australia's largest public housing estates has also placed a strong focus on partnership working. There has been extensive debate regarding the significance of 'area' or 'neighbourhood' effects, the appropriateness of concentrating on built form issues rather than poverty and socioeconomic disadvantage more generally, and in particular claims made regarding the benefits of social and tenure mix (Badcock 1997; Arthurson 2002; 2008; Minton 2005; 2009). Place-based approaches have increasingly recognised that neighbourhood decline is not just about poor housing stock, with disadvantage cutting across dimensions of education, employment, environment and health, all of which are interrelated and where greater coordination and 'joined-up' thinking is required. Urban landscapes of mono-tenure social housing do not accord well with current policy objectives of tenure mix, and

proponents would argue that approaches capable of delivering the outcomes desired need to draw on thinking from a broader range of actors than the public sector alone can contribute.

Leveraging finance and facilitating growth?

As well as making tax dollars go further in the provision of existing services and functions, there has been a longstanding interest in the opportunities provided by partnership working in leveraging private finance. There has been particular focus on frameworks that can respond to the significant housing affordability constraint that the country has faced over the past 10 years (Yates & Gabriel 2006; Yates et al. 2007), not only in terms of supply but also availability of affordable housing for those for whom it is most needed (NHSC 2010). A variety of debt-financing, tax-incentive and bonds-based models have been put forward and evaluated for their potential application in the Australian context (Berry & Hall 2001; Hall et al. 2001; Hall & Berry 2004; Milligan et al. 2004; 2009; Lawson et al. 2010).

Research has identified that housing stress has been concentrated among lower-income renters within the private market (Burke & Pinnegar 2007; Yates et al. 2007). The challenge has been to provide frameworks conducive to balancing the need for rents to be affordable (at submarket levels) and to provide a viable partnership arrangement where private investors can make a sufficient return on investment while providing those target groups in housing stress with quality housing stock. Policy reform, additional resourcing and new initiatives—in particular NRAS (as discussed in the next section)—have provided further impetus for establishing mechanisms and frameworks that can support and bring in private sector finance to assist in the provision of new social and affordable housing.

Enabling reform through transformation?

Public sector bureaucracies do change over time; however, widespread reform and ability to respond to shifting demands has often been facilitated through structural reform. Not helped through years of fiscal constraint and increased residualisation of its customer base, State Housing Authorities (SHA) have struggled to effectively address an evolving landscape of affordable housing need, both in terms of types of provision as well as management. Central to current housing reforms are aims to build greater diversity of provision through growth in the community housing sector, with intentions that around 35 per cent of all social housing stock across Australia will have been transferred or developed by not-for-profit organisations by 2014.

This in itself transforms the partnership between the public and 'third' sectors. At the same time, it opens up opportunities for increased coordination with and access to private sector activity and financing since the not-for-profit providers are able to leverage funds by borrowing against their balance sheets. Cross-sectoral partnership arrangements may also help shape and define a more strategic framework for a whole-of-housing system and whole-of-community approach. If the desired renewal outcome is to provide a range of tenure options and housing pathways, then arguably arrangements that can bring together the enablers, brokers and representatives of those diverse interests are required.

Improved tenant/resident outcomes?

Assumed benefits for existing social housing tenants arising from either renewal activity or transfer to community housing providers are tied up in the changes made possible through partnership working, whether in terms of more responsive and emphatic management or the benefits of new or upgraded property enabled through the input of private finance. In other countries, where the challenges of lower-value housing market areas might be addressed in cross-tenure programs (such as Housing

Market Renewal in the UK), this extends to private renters and owners. Here, outcomes might be considered in terms of reducing household churn and vacancy rates relative to the wider housing submarket.

Achieving improved tenant and resident outcomes in cross-sectoral partnerships raises several challenges. It has taken a steep learning curve to move on from earlier initiatives where the local community were not fully recognised as ‘partners’, despite the fact that they are the ones who will be most affected by the success or failure of the project. The profit-seeking nature of the private sector can be a source of concern to tenants. In the context of UK housing reforms in the 1990s, Hood (1997) found that such opposition was often based on the tenants’ perception of partnerships as akin to privatisation.

Challenges are often further magnified where programs involve the demolition of private homes and displacement of owner-occupiers. Although it may be the government who retains authority (for example, through Eminent Domain in the US or Compulsory Purchase Order in the UK), where partners—and particularly developers – are involved in regeneration activity, concerns regarding *who the intervention is actually for* inevitably escalate. With increasing levels of homeownership, often a core objective of tenure-mix strategies, assertions of state-led gentrification (Hackworth 2007; Lees et al. 2008) and displacement of working class communities can come to the fore given involvement of the private sector (Allen 2008; Pinnegar 2009).

Potential to drive innovation across all aspects of housing and urban policy?

A number of the considerations noted above associate partnership activity with providing a platform for change and innovation. This can also be extended to their potential role in addressing new challenges where a degree of shared risk and reward will be required:

- *Development of alternative tenure/housing pathway models*, for example, shared equity products, rent-to-buy and Community Land Trust Models, where the private, public and not-for-profit sectors working in isolation have struggled.
- *Meeting the challenges of an ageing society*. As the proportion of older households increases from 19 to 28 per cent over the next 20 years (NHSC 2010), enhanced synergies between developers, healthcare, superannuation and financial markets can be envisaged.
- *Responding to the challenges of climate change and mitigation*, which will impact on all homes and communities. Moving to a more carbon-constrained future requires new ways of building, pricing and managing our built environments, for example, a greater adherence to whole-of-life costing in the residential sector.
- *Working across all levels of government and across sectors to move housing policy centre stage* within a more strategic approach to the planning of our capital cities. Australia’s cities—and ensuring more effective planning systems to address housing affordability constraints—have been flagged as a priority concern (COAG 2009b).

Although partnership working provides a means of working to address both current and future challenges in an integrated, collaborative way, it inevitably carries significant risk when sectoral interests become increasingly reliant upon each other. Although shared goals (‘better outcomes for people, communities, markets’) may cut across the interests of all sectors, there are clearly risks where, for example, affordable housing provision becomes not only tied to private sector contributions and activity, but dependent upon it. In the UK, planning gain contributions (Section 106) have helped fund a significant proportion of new social and affordable housing in recent years. As the global financial crisis hit, private sector house building activity

plummeted and a commensurate slump in starts for affordable housing for rent and low-cost homeownership has been seen.

Herein lies a core concern: the ‘hollowing out’ of the public sector (Rhodes 1994) and alignment with the market-led needs of the private sector risks unravelling when the market does not behave as required. Since housing intervention has traditionally existed for the very reason of protecting more disadvantaged households and communities from these structural and systematic ‘market failures’, this is a significant concern. It is also one which needs to be front-of-mind in the face of generally positive endorsements of cross-sectoral partnership activity within policy and private sector discourse.

2.2 Policy frameworks and partnership working

While the long tradition of developing and implementing housing and urban policy through partnership working in Australia can be seen to reflect broader long-term trends within neoliberal frameworks, a recent reinvigoration in interest can be flagged. The arrival of the Rudd Labor government in late 2007 signified a re-engagement by the Federal government in housing. COAG—charged with developing and monitoring the implementation of policy reforms that are of national significance and which require cooperative action between all tiers of government—has been reinvigorated under the guiding principle of ‘cooperative working relations’ and has set out a reform agenda tied to key reforms to federal financial relations with the states and territories. Within this framework, the National Affordable Housing Agreement (NAHA) came into effect in January 2009.

Alongside policy and funding streams tied to the NAHA, a number of Commonwealth-led housing initiatives have been established, most notably NRAS and the Housing Affordability Fund (HAF). A First Homes Savers Account was also set up, and support for first-time purchasers continues through the First Home Owners Grant (FHOG). The government’s response to the global financial crisis through two Economic Stimulus Packages has also seen more time-limited inputs into the housing policy arena. The first stimulus package led to the introduction of the First Home Owners Boost which enhanced existing FHOG arrangements (particularly for new buildings) and introduced measures to support the banks by underpinning the residential mortgage-backed securities (RMBS) market and working with lenders on mortgage relief measures for owners at risk of losing their homes. The second package, the Nation Building and Jobs Plan (NBJESP) has seen large-scale investment in additional social housing.

Across all these activities, the significance of partnership working—in policy and delivery terms—has been emphasised, whether in terms of policy coordination and arrangements tied to funding and expectations regarding monitoring of outcomes linked to reforms due to necessity in terms of the nature of programs, or indeed due to necessary delivery and implementation timeframes. In this section, an introduction to key policy frameworks and particular programs is provided alongside consideration of arrangements within and across governments that aims to facilitate better coordination and joined-up thinking.

2.2.1 National Affordable Housing Agreement (NAHA)

The NAHA provides the core policy framework guiding government’s engagement with housing. It signifies the government’s commitment to work toward improving coordination across housing and related programs to make better use of existing stock and under-utilised government assets, thereby achieving better integration between housing and human services, including health and disability services (COAG 2009c). Greater clarity is provided regarding the roles and responsibilities of each tier

of government within partnership working arrangements. The framework also includes a number of shared responsibilities, including policy development, information sharing, and joint prioritisation of evaluation and research agendas. Beyond the \$6.2 billion funding tied to the first five years of the NAHA, new money is provided through a number of National Partnership Agreements (NPA) that support delivery, which are:

- *The National Partnership Agreement on Social Housing* with aims ‘to increase the supply of social housing through new construction, to contribute to reduced homelessness and improved outcomes for homeless and Indigenous Australians’ (COAG 2009c, p.3).
- *The National Partnership Agreement on Homelessness* for programs targeted at assisting people who are homeless or at risk of homelessness achieve sustainable housing outcomes and social inclusion.
- *The National Partnership Agreement on Remote Indigenous Housing* for the provision of 4200 new homes and upgrades and repairs to 4800 existing homes in remote communities—integral to government-wide commitment to closing the gap on Indigenous disadvantage (Australian Government 2009, p.21).

As part of the Government’s second Economic Stimulus response, a further (time-limited) national partnership agreement—the *Social Housing Initiative*—was introduced as part of the NBJESP (see below). All NAHA activity is tied to a series of reform and policy directions. Arguably the need for greater coordination and partnership activity is inherent in all identified reforms; however, a number point to a more explicit need for cross-sectoral partnership working, for example:

- Creating mixed communities that promote social and economic opportunities by reducing concentrations of disadvantage that exist in some social housing estates [policy action (20c)].
- Enhancing the capacity and growth of the not-for-profit sector, supported by a nationally consistent provider and regulatory framework [policy action (20i)]

2.2.2 Nation Building and Jobs Economic Stimulus Plan (NBJESP): the Social Housing Initiative

The NPA on the NBJESP, also known as the Economic Stimulus Plan, was agreed by COAG in February 2009. A significant element of the Agreement is the Social Housing Initiative under which the Commonwealth government is committing \$6.4 billion over a period of three and a half years to deliver approximately 20 000 new social housing dwellings and refurbish 2500 existing properties. Beyond partnership working across tiers of government, there is an expectation that much of the activity funded under this agreement will be delivered through partnerships between states/territories and non-government parties. Guidelines specify that projects will be prioritised for funding if delivered through partnership rather than traditional public sector provision:

the Commonwealth is seeking projects that support the provision of social housing through new or innovative models. These models might include partnerships between community housing providers, developers, investors and other organisations. (Australian Government 2009, p.8)

This is further emphasised through a rearticulation of housing reform directions from the NAHA as applied to the Social Housing Initiatives. Again, a number of the reform directions are implicitly tied to the need for cross-sectoral arrangements, not least in seeking to bring in private sector finance:

- Reducing concentrations of disadvantage through appropriate redevelopment to create mixed communities that improve social inclusion [reform direction (d)].

- Introducing contestability in the allocation of funds to encourage a range of new providers to create diversification in the not-for-profit sector, enhancing the ability of providers to offer housing options to broader range of client types [reform direction (j)].
- Leveraging of government capital investment to enhance provision of social housing [reform direction (k)].
- Better use of government-owned land to provide more affordable housing opportunities for low-income earners [reform direction (l)] (COAG 2009c, C7).

2.2.3 National Rental Affordability Scheme (NRAS)

The NRAS is a Commonwealth government initiative aimed at stimulating the supply of up to 50 000 new affordable rental dwellings throughout Australia by 2012. The scheme offers incentives for projects to provide affordable rental properties at 20 per cent below market rates aimed at low and moderate income households. Eligible projects will receive annual incentives for a period of ten years valued at up to \$9140 per dwelling, of which \$6855 will be granted by the NRAS Fund, and \$2285 contributed by state/territory governments (FaHCSIA 2010a).

A total of 3799 incentives were given to Round 1 applications from July to September 2008, and 6741 for Round 2 from December 2008 to March 2009. As rounds have progressed, there has been a general steer toward and support for proposals requesting a larger number of incentives. In NSW, for example, while in the first NRAS funding round, most funding was allocated to proposals for developments including less than 100 affordable units, in the second round most successful proposals included over 100 new affordable units. Applicants in both rounds included both for-profit (such as Payce and Major Investment Group II in NSW) and not-for-profit organisations (such as Compass Housing Services and Affordable Community Housing Limited) (Centre for Affordable Housing 2010).

Round 3 is not directly available to small-scale private, individual investors unless they participate as part of a 'non-entity or other joint venture arrangement'. There is no requirement for NRAS applicants to be engaged in a partnership. However, it is expected that many of the proposed projects will be delivered with cross-sectoral collaboration, not least because of the preference for large developments and the limited capacity of most not-for-profits. The Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs is providing support through the applications process through access to tools such as standard partnership agreements, partnership development kits, and an online forum to link organisations seeking partners (FaHCSIA 2010a; 2010b).

2.2.4 Housing Affordability Fund (HAF)

The HAF was established by the Commonwealth government in 2008 to invest up to \$512 million over five years to help lower the cost of building new homes, thereby increasing supply in the housing market affordable for average-income earners. Up to \$10 000 per dwelling is allocated to reduce costs associated with planning and approval waiting time and with infrastructure costs (small-scale water, sewerage, transport and open space infrastructure) from private developers.

At the Ropes Crossing development in western Sydney, for example, part of the HAF contribution is being used to build a Community Resource Hub in the village centre (Delfin Lend Lease 2009). Applications for HAF funding are restricted to local and state/territory governments only, however there is an expectation that they will partner with private developers toward the delivery of the project, or at least provide some 'evidence of endorsement' (Australian Government 2008, p.10). Applications involving

close partnerships with private and/or not-for-profit organisations in the delivery of housing have been 'seen as highly competitive' (FaHCSIA 2008, p.10).

Apart from a cash contribution, the Commonwealth is not involved in the actual partnership which comprises local/state government and private developers. Thirty-three successful applicants were awarded as a result of the first round of applications. The second round of HAF has given priority to proposals related to transit-oriented developments (TODs) and public housing estate redevelopment projects. As in the initial round, applications have been lodged by local or state government departments and agencies, and joint venture applications with private companies and developers have again been encouraged.

In June 2010, a Joint Statement by the Federal and NSW Housing Ministers announced a 'new partnership' with \$43 million awarded to Housing NSW for urban renewal and affordable housing projects in Sydney and the Central Coast (Plibersek & Terenzini 2010). Although government has expressed collaboration with state and local government as a form of partnership, this relationship is essentially structured around agreed projects and provision of funding rather than more integrated partnership arrangements.

2.2.5 Partnerships within government and across government agencies

COAG provides the 'peak intergovernmental forum' within which partnership arrangements between the different tiers of government are structured and coordinated. There is also longstanding interest in effective mechanisms to encourage and facilitate greater coordination between departments and associated agencies. This extends to the interface between governments and quasi-public agencies which have, under the influence of New Public Management approaches, been increasingly required to function within the market place in recent decades. This has done much to encourage cross-sectoral partnership working on the part of the agencies themselves, but it has also had unintended effects in terms of increasing fragmentation across the public sector.

A weakening of hierarchical structures has meant that agencies which previously were accountable to a single senior office have gained greater autonomy and indeed have often been encouraged to compete one against the other (Dunleavy et al. 2005). Christensen and Lægreid (2007, p.1060) suggest that agencies formed around a single purpose may have 'produced too much fragmentation, self-centred authorities, and a lack of cooperation and coordination'.

Many models have been utilised by government (and indeed other large organisations) to facilitate better coordination, including memoranda of understanding (MoU), accords, interdepartmental committees, task forces, joint delivery teams, special delivery units, etc. The current Australian Government has also adopted a cross-cutting approach to facilitate cooperation both between departments as well as with external stakeholders in addressing 'wicked problems'. Social inclusion has been identified as a whole-of-government agenda, and is being facilitated through the SIU and the Australian Social Inclusion Board. Among a range of approaches identified in order to meet these aims, the Social Inclusion Agenda seeks to assist in building partnerships with key stakeholders and building joined-up services and whole-of-government(s) solutions.

In April 2008, under the *Infrastructure Australia Act 2008*, Infrastructure Australia was established and tasked with 'developing a blueprint for unlocking infrastructure bottlenecks and modernising the nation's transport, water, energy and communication assets' (Australian Government 2010). Its remit includes: auditing and determining the adequacy, capacity and condition of nationally significant infrastructure; identifying

priorities; advising government on policy and regulatory reforms needed to improve utilisation and encourage further investment; and options to address impediments, needs of users and possible financing mechanisms. Alongside development of an Infrastructure Priority List, early priorities for the body have included preparation of best practice and policy guidelines for PPPs (see Box 2). The Major Cities Unit has also been set up under the Infrastructure Australia umbrella to progress the cities agenda at the national level and set the scope of the Federal government's interest and involvement in urban policy, infrastructure and planning issues (see Box 1).

Box 1: Major Cities Unit, Infrastructure Australia

The Major Cities Unit advises government on policy, planning and infrastructure issues related to Australia's major cities. Partnership working is embodied in the Unit's aims to help achieve 'coordinated action across all spheres of government, the private sector and the community to help secure the nation's economic, social and environmental wellbeing through our cities' (Major Cities Unit 2010). This aim reflects a holistic approach to housing provision which recognises that to achieve effective outcomes it is necessary to integrate land use, transport and infrastructure planning, and address a range of issues such as productivity, global competitiveness, liveability and sustainability. Its major output to date has been the State of Australian Cities 2010 Report.

2.2.6 Encouraging partnership working: policy guidelines and best practice

Infrastructure Australia's *National Public Private Partnership Policy and Guidelines* seek to provide a framework for greater national consistency and increasing the efficiency of delivering public infrastructure and services in partnership with the private sector (Infrastructure Australia 2008). For any infrastructure project and/or service with a capital value of \$50 million or more, the public sector is required to explore the use of PPPs as a procurement option.² It recommends that projects that have a lower capital value may also explore the use of PPP for infrastructure/service delivery on a project-by-project basis, with value for money (VFM) being the lead assessment criteria (see Box 2).

² This figure is internationally comparable (in the UK context, Deloitte (2006) indicated that a minimum capital value of £20 million was required to make the approach cost-effective).

Box 2: Criteria for value for money assessment

- *Sufficient scale and long-term nature*: \$50 million is recommended as the minimum overall project capital value, although consideration should be given to the size of the transaction costs to government for procurement.
- *Complex risk profile and opportunity for risk transfer*: a rigorous evaluation system should be put in place to assess risks and which partner is best able to manage them.
- *Whole-of-life costing*: costs throughout the life of the project should be fully disclosed prior to entering into partnership. These should include upfront design and construction costs as well as ongoing service delivery, operational, maintenance and refurbishment costs.
- *Innovation*: competitive tender should be used as an incentive for the development of innovative solutions to provide the required infrastructure and/or services.
- *Measurable outputs*: specifications should be clearly defined and performance-based.
- *Asset utilisation*: costs may be reduced through use of existing infrastructure and introducing more efficient designs.
- *Better integration of design, construction and operational requirements*: a centralised contract should facilitate efficiency in ongoing operational maintenance and refurbishment throughout the life of the project.
- *Competitive process*: the use of a competitive process will encourage the development of innovative means in infrastructure delivery while meeting government cost objectives.

Source: Based upon Infrastructure Australia 2008, p.9

In reality each state/territory jurisdiction retains a degree of flexibility to introduce additional guidelines and policies to facilitate the appropriate delivery of VFM in their respective local contexts. These additional guidelines and policies form a compendium to the national framework (Infrastructure Australia 2009). For the smaller jurisdictions (ACT, NT, SA & Tasmania), there were generally no additional inclusions; for the larger jurisdictions (NSW, Queensland, WA & Victoria) additions reflect pre-existing state guidelines.

To date, Partnerships Victoria is the only jurisdiction to have updated its guidelines since the June 2009 inception of the national policy framework (Partnerships Victoria 2010). The Public Interest Test 'covers consumer rights, transparency and other criteria designed to protect the interest of the community' in any physical infrastructure partnering proposals (Partnerships Victoria 2010, p.4). In WA, the *Partnerships for Growth* policy (introduced in 2002), continues to apply and takes into consideration employee rights and environmental considerations rather than simply VFM (Infrastructure Australia 2009, p.48). In NSW, the *Local Government Amendment (Public-Private Partnerships) Act 2004* incorporates a Public Interest Evaluation, which considers whether proposals accord with government's objectives, demonstrate VFM, include community consultation, and consider consumer rights, accountability, public access, health and safety, privacy and transparency. The 2004 Act also prohibits the conducting of PPP projects in stages or a series of potential contracts (NSW DLG 2005), therefore potentially precluding the use of competitive or incremental partnership models.

2.3 Cross-sectoral partnerships

As noted, partnerships can take many forms, and encompass a wide variation in terms of meaning, structure and formality. Different arrangements and requirements are shaped by:

- the allocation of responsibilities, risks and benefits between the partners

- the degree to which the most suitable solution is known at the time of tendering
- the type of infrastructure/service that is being delivered
- the source of initial and ongoing finance
- the role of each party across the life cycle of the project
- the scale of the project and length of the contract
- whether risk lies primarily at the construction phases or ongoing service provision
- ownership of the asset at the termination of the contract.

There is little agreement about the terminology used to describe different models. Following Reid (2001), our focus is on cross-sectoral partnership working: the collaboration across public and private, and the ‘Third’ or not-for-profit sector, alongside the target groups, residents and communities tied to the geographies where those partnerships operate. We have avoided the use of PPP as a broad umbrella term and shorthand for partnership working.³

The many factors and considerations feeding into decisions affecting the partnership working process translate into an almost endless range of variant approaches. Different models will inevitably be more or less appropriate under particular circumstances, dictated for example in terms of certainty and clarity within the brief, the size of project, its divisibility, complexity and where greatest risks exist across the whole-of-life process (Deloitte, 2006). In this section, we provide a brief outline of a number of core approaches—PPP/PFI, Joint Ventures and Alliances—to partnership working.

2.3.1 PPP/PFI

The essence of a PPP is that ‘the public sector does not buy an asset but rather it is purchasing a stream of services under specified terms and conditions’ (Grimsey & Lewis 2004, p.3). Typically, initial funds for capital investment are raised by a private partner rather than the government. This investment is repaid over the concession period specified in the contract, through ongoing payments by the government as well as revenue from user-fees. This is an advantage for the government in the sense that such a funding model does not necessarily count in its financial books as a debt (Blakely & Gilmour 2006) and can enable governments to initiate development of new projects without a substantial negative effect on its credit records. PPP/PFI arrangements are seen to offer VFM, opportunities for design and delivery implementation, appropriate risk transfer and sharing between the public and private sectors, and superior whole-of-life outcomes (Infrastructure Australia 2008). Contracts often specify general outcomes but not ways to achieve them. The model also encourages delivery on time and to budget, and a means of spreading investment costs over a longer time period.

In a recent review for Infrastructure Australia, KPMG identified Australia—alongside the UK and Canada—as having one of the most mature PPP markets in the world. The extent to which the model has been promoted and utilised varies between sectors and from state to state (reflecting fluctuations in terms of political favour), but accounts

³ In the *National Public Private Partnership Guidelines Policy Framework*, PPP projects are defined as those ‘where the private sector provides public infrastructure and any related services; and there is private investment or financing’ (Infrastructure Australia 2008, p.5). This distinguishes it from other contractual relationships including traditional procurement, design and construct, and Alliancing arrangements. Joint Venturing Arrangements arguably straddle this definition but are typically considered distinct. In the Australian context the term PPP is more specific and aligns with PFI models in the UK (where the use of Private Finance Partnerships, PFPs, is also seen). Bonnyrigg is a PPP under this tighter definition and therefore we describe it as such.

for a substantial amount of infrastructure provision. Lawriwsky (2007) estimated that by the mid-2000s, 10–15 per cent of total infrastructure investment came through PPPs, and KPMG (2010) reported the contracting of 29 social infrastructure and transport projects from 2005 to September 2009, the majority of these in NSW (10) and Victoria (9). In NSW, PPPs have procured social infrastructure and non-core services in a wide range of sectors, including transport (motorways, rail), housing, health, sports (Sydney Olympic Park) and other public services such as prisons, energy, waste and water treatment (NSW Treasury 2009).

Although the PPP/PFI model is encouraged as a procurement method—not least through one of the first tasks of Infrastructure Australia being to identify barriers to their greater use and efficiency (KPMG 2010)—downsides can be identified, many of which are related to the added degree of complexity involved. Potential cost efficiencies may be balanced by high initial transaction costs given the investment required in the tendering process, the length of time it typically takes before contracts are finalised, and the legal and administrative fees along the way. KPMG (2010) estimate that bidding costs for projects with a capital value up to \$250 million are typically around \$2.5 million, rising to up to \$6 million for a \$1 billion project.

Significant start-up costs are also involved in putting together teams with necessary skill sets. The typical time for contract close for projects in Australia is 17 months (KPMG 2010). Stakeholder views conducted by KPMG highlighted the importance of consistency in government commitment (and between tiers of government) in order to promote sufficient scale and certainty in the market in order to justify investment in bidding. Lack of flexibility associated with PPP/PFI, especially in contracts extending over a number of decades is also often cited as a concern (Deloitte 2006), and as discussed in Chapters 4 and 5, raised by many of our interviewees.

A distinction is often made between *economic* and *social infrastructure* partnerships. The former typically encompass the supply of transport facilities, including roads and railways, alongside water and energy facilities. Social infrastructure is commonly used in the context of projects involving the design, construction and provision of ongoing service for public projects such as hospitals, prisons, libraries, schools and cultural facilities.

Social infrastructure partnerships arguably address policy goals more explicitly defined in ‘social’ terms, such as social justice, community access or fair treatment. Goals are often defined in terms of outcomes for specific social groups and ‘communities’, whereas in economic infrastructure partnerships, the focus may be on outcomes for users as individuals, on the one hand, and the ‘general public’, on the other. In practice, both have significant social impacts on individuals, communities and the general public alike, and distinctions between the two are blurred. Social infrastructure projects are typically smaller in scale but are likely to involve a wider range of partners (Oppen et al. 2005). Such arrangements are often considered complex as they involve:

- High levels of public scrutiny, with potentially high exposure to political interference and policy changes.
- Difficulty in defining and measuring social outcomes. These are more complex than, for example, monitoring usage of toll-roads (Almqvist & Hogberg 2005).
- Conflicts that may arise where private and non-profit organisations undertake roles previously performed by the public sector. This may give rise to fears of privatisation. There may also be difficulties changing established working procedures.

- Expensive bidding costs due to complexity, while expected returns for successful bidders are smaller (Jeffries & McGeorge 2009).
- Tension between expected social outcomes and financial returns.

Social infrastructure projects are also associated with services traditionally delivered by human services agencies where staff costs represent a significant proportion of operating costs. Jefferies et al.(2006) found that whilst staff costs can represent at least 90 per cent of operating costs in a hospital, in the context of a tollway project, staffing costs are minimal and most expenditure is on maintenance. Furthermore, human service-related activities tend to evoke a wide range of deep emotions among both service users and providers. The outcomes of human services are considered more difficult to predict as they are dependent on the way staff interpret policies (a factor less significant in economic infrastructure projects) as well as how recipients react to them (Hasenfeld 1992, p.4).

2.3.2 *Joint ventures (JV)*

JVs are developed where two or more firms and organisations contribute resources toward a specific goal. The JV operates as a legal entity which is separate from each of the parent organisations, with significant matters of financial policy and operations predetermined and owned within the JV. The created entity exists for a specific time, defined around a specific project or purpose. In the private sector, JVs are often created by firms as a strategy of entering new markets by partnering with other firms which are already operating within these markets, or as a means to pool capacities toward a shared objective. JVs allow project work to be carried out in successive phases under a single procurement arrangement, allowing greater flexibility over the course of the project. This also allows the public sector to have continuing influence through the different phases of the project without sacrificing commercial input, especially during the early planning phases of the projects. One major disadvantage of the model is the difficulty for the public sector to calculate the total cost, and VFM, for projects with different phases commencing at different times, subject to changing economic situations (Deloitte 2006).

It is also important to flag the concept of the Non-Entity Joint Venture (NEJV) as this has emerged as the preferred vehicle for enabling individual investors to participate in NRAS initiatives. Under NEJV arrangements, investors enter into two agreements: a principle lease agreement with a JV partner who holds the NRAS licence (typically a developer or institution), and a property management agreement with a property manager.⁴

2.3.3 *Alliances*

Project Alliances represent a development from traditional contracting out from the public to the private sector. Alliancing has been strongly promoted by the Victorian government, and their 2006 Guidelines are widely regarded as the benchmark framework for most Alliancing approaches in Australia (Victorian Government Department of Treasury & Finance 2006). Alliances are often used to deliver larger, complex projects where risks cannot be fully identified and priced at the time of business case development and are best negotiated and managed collectively. Project Alliances do not involve a private finance element, and there is no allocation of risk or assignment of responsibilities for delivery between parties. Rather, partners work collaboratively under 'win or lose together', 'pain-share/gain-share' rules toward best-for-project decisions and outcomes.

⁴ A 'private binding ruling' issued by the Australian Tax Office from the JV partner to ensure compliance.

An 'Alliance Charter' sets out the mission, objectives and commitments of all parties, and decisions are made only on unanimous consensus within the Alliance Leadership Team. A 'no sue' environment is underpinned by commitment to resolve issues within the Alliance rather than through mitigation. A recent review conducted for the Victorian government highlighted the Alliances ability to avoid disputes as a key strength of this procurement model, as is the ability for partners to be brought on board much sooner and help shape projects at their design stage rather than wait for the outcome of lengthy contract negotiations (Victorian Government Department of Treasury & Finance, 2009). With the collaborative process focused on best-for-project outcomes, Alliance arrangements often demonstrate added value in aspects of the project which are hard to identify, price and incorporate into business planning and the tender process; for example, issues tied to community engagement and consultation. There are a number of Alliance approaches.

- In 'pure' Alliances, preferred partner(s) are selected solely on the basis of non-price criteria (i.e. the proposed team and approach represents the best solution for the project). Reimbursement for the service providers includes 100 per cent of direct expenses, a fixed lump sum fee to cover overheads, and an equitable sharing of profit and loss; the focus is on delivering 'breakthrough' outcomes (Ross 2000).
- In 'hybrid' or price-competitive arrangements, both non-price and final cost criteria are used. In some regards, this obviates some of the benefits of the approach, and might be seen as undermining the guiding rationale.

A key issue—reflective of the flexibility built into the approach—is that total project costs often end up significantly higher than initial estimates. Much of that increase gets added at the early stages of Alliance input, but even once established, costs tend to end up proportionally higher than seen with either PPP/PFI or indeed standard contract arrangements (Victorian Government Department of Treasury & Finance 2009). Project Alliance approaches have not been employed in the Australian housing context to date; however, they are of interest here not least because a number of our interviewees identified the value and appropriateness of the model, particularly where complex, long-term social outcomes need to be built into cross-sectoral arrangements.

2.4 Summary

This chapter has provided an overview of the policy and broader institutional contexts shaping an increased interest in partnership working. Although in reality the need for, and rationale behind, cross-sectoral collaboration is longstanding, there has been a significant enrolment of the principles and discourse of 'partnership' in recent years. Commonwealth housing policy directions post-2007 have encouraged, and to a large extent, necessitated greater coordination and collaboration across different sectors. Many reform directions, implicitly or explicitly, point toward the need for greater partnership working, whether in pursuit of leveraging funds, transforming the role of the community housing sector or in the creation of mixed-tenure communities. As such, arguments can be made that progressive policy requires a joined-up, coordinated approach: it is no longer a question of public, private or not-for-profit in isolation, but for each to pool their relevant strengths to provide more effective and appropriate responses. More cautiously, both the potential risks as well as benefits of partnership working should be acknowledged and incorporated into those considerations.

3 HOUSING AND URBAN PARTNERSHIPS

In this chapter, we introduce a range of examples where cross-sectoral partnerships have been used within the housing and urban policy context. The aim is not to provide a critique or evaluation of the respective models, but rather to demonstrate the nature and form of partnership arrangements developed in response to particular challenges and seeking to address different outcomes. Many of the partnerships presented also act as introduction to the projects and schemes in which our interviewees have had or continue to have direct involvement, and will be returned to in more detail in Chapters 4 and 5. This overview is divided into four broad aspects or types of housing provision or urban renewal activity:

1. Large-scale, structured partnership arrangements which have been used in place-based comprehensive urban renewal initiatives.
2. Structured partnership arrangements tied to housing provision within a specialist or niche sector (in this case, accommodation for Defence personnel).
3. Partnerships involving state or local authorities using land and planning mechanisms as leverage enabling affordable housing provision.
4. Partnerships emerging in response to policy steering, for example the NRAS.

Inevitably the drivers behind, and issues faced in, each of these demonstrates a high degree of overlap. Changes to financing rules and policy interest toward mixed financing strategies have been key elements. This might be enabled through freeing up equity held within an existing asset base—whether in terms of an existing housing portfolio or land—to facilitate renewal, the provision of incentives to provide sufficiently attractive terms for investment, or taking advantage of low-risk returns with the implicit guarantee of government as partner.

For example in the US, the Department of Housing and Urban Development (HUD), sought to transition from funding frameworks where Federal government bore full costs, to those where public sector inputs could be used to leverage private sector debt and equity (Popkin et al. 2004). The Mixed-Finance rule, introduced in 1996, also enabled housing authorities to transfer public funds to third parties such as private developers. In the UK, increased interest in greater private sector involvement in public sector capital projects and service provision—particularly through PFI mechanisms—emerged through the 1990s, and under the New Labour government, Housing PFIs were introduced in 1998. Increased funding flexibility has also tended to be accompanied by commensurate institutional change, particularly through stock transfer and diversification of providers. Collectively these changes signify the changing role of government in housing policy, from direct provision of social and affordable housing and to a ‘steering’ role in which governments oversee provision of housing by non-government actors (Reid 2001).

3.1 Place-based urban renewal partnerships

This section provides an overview of a small selection of high-profile partnership models used to deliver place-based renewal both in Australia and overseas. HOPE VI in the US, Housing PFIs in the UK and the Bonnyrigg PPP here in Australia, illustrate the use of a highly structured approach to the design and delivery of comprehensive regeneration activity. Although these initiatives have attracted significant attention, it is instructive that the use of PPP arrangements within the housing sector remains small compared with transport and infrastructure projects and programs. In the UK, Housing PFIs accounted for just 2.1 per cent of all public-private partnership activity in 2006, and Bonnyrigg remains Australia’s first, and only, PPP to date.

3.1.1 HOPE VI, US

In the US, the most significant use of partnership working involving private investment for social housing transformation has been through HOPE VI. The program has invested US\$5.5 billion to renovate 224 public housing estates throughout the US, resulting in some 150 000 public housing units being demolished to make way for reconstruction (Schwartz 2006). The approach combines design and layout improvements, a move to mixed-tenure neighbourhoods, and the contracting out of tenancy management to private or not-for-profit organisations (see Box 3). The financial aims typically involve mixing private debt or equity with public subsidy, and using income from sales of private dwellings to offset the capital costs of rebuilding.

The approach is best suited to large housing estates in locations where there is a demand for private housing buildings. Complexity, long lead-in times and high-cost structure limit their use, particularly to high-profile projects (Gilmour 2009; Gilmour et al. 2010). As a test bed for new mixed finance arrangements, it had been expected that in total HOPE VI projects around the country would leverage up to \$9 billion in non-HUD (i.e. Federal) funding over its lifetime. An early assessment by the General Accounting Office (GAO) found that actually levels fell somewhat below this, and a significant proportion of leveraging was coming from other public sources rather than the private sector (US GAO 2002; Popkin et al. 2004).

Box 3: HOPE VI in San Francisco

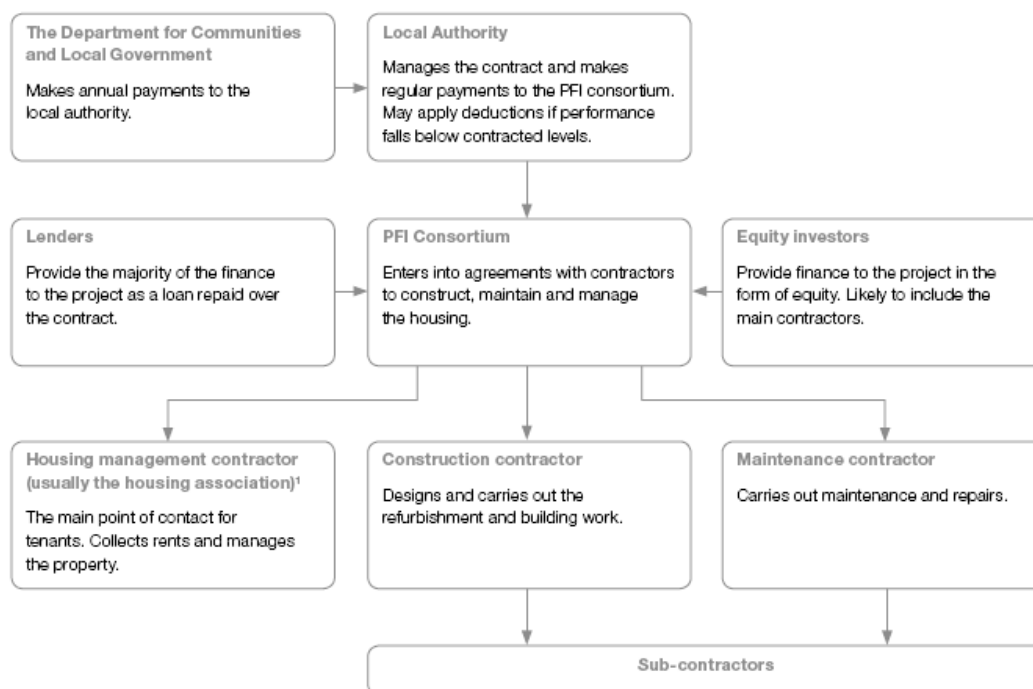
A flagship HOPE VI project is North Beach Place near the tourist precinct of Fisherman's Wharf, San Francisco. This public-private-non-profit partnership raised US\$55 million in tax credits, the largest single allocation since the scheme started in 1986. Total finance was US\$108 million which included US\$23 million from HOPE VI grants and loans from Citibank. Completed in 2004, the new urban designed, transit-orientated project replaced 229 public housing units with 341 mixed-income apartments. Non-profit BRIDGE Housing was the lead developer, in partnership with for-profit John Stewart Company, the City of San Francisco Mayor's Office and the San Francisco Housing Authority (Bridge Housing 2009). With the ending of national HOPE VI funding, the City launched 'HOPE SF' in 2007 to continue the partnership approach to public housing redevelopment. Tenants are guaranteed accommodation on the same site in a mixed-income, mixed-tenure development. High San Franciscan land values and low dwelling densities on existing sites allow money to be raised from private developers. The first HOPE SF contract was awarded in 2007 to redevelop 267 units at Hunters View (Overland Pacific and Cutler 2008). The winning team includes a for-profit developer, a for-profit tax credit consultant and a local non-profit housing organisation.

Its relative success in urban renewal terms has been offset with criticism of the program. The loss of public housing units, displacement of original tenants and introduction of middle income households left the project open to accusations of state-led gentrification. A study of the Cabrini-Green renewal in Chicago, for example, revealed that many voucher recipients experienced difficulty in finding suitable accommodation after being forced off-site (Voorhees Center 1997); several lawsuits were also filed against the Chicago Housing Authority for failing to provide adequate housing during temporary relocation and denying promised opportunity to return to the redeveloped site (see *Wallace vs. Chicago Housing Authority 2005*, for example). Popkin et al. (2004) also note possible concerns regarding the long-term viability of mixed-finance projects, with Local Housing Authorities tied in to service private mortgages for the life of the term.

3.1.2 Housing Private Finance Initiative (PFI), England

Housing PFIs in England, either tied to long-term upgrade and maintenance contracts or more comprehensive renewal activity, have been relatively slow to develop, with just 21 schemes signed by October 2009 (DCLG 2009). Just eight were signed in the first four years of availability, including Ardwick in Manchester (see Box 4), compared to 100 PFIs in the health sector signed during the same period. Through PFIs, local authorities have been eligible to receive funding from central government which enable them to bring their deteriorating public housing stock up to 'Decent Homes' standard by 2010 (DETR 2000). Typically the local authority retains ownership, and tenants retain their rights, but management transfers to a not-for-profit housing association (Hakim 2005). The PFI consortium accesses funds from lenders and equity investors to finance the project in the form of a loan that gets repaid over the length of the contract (see Figure 1).

Figure 1: Structure of a PFI housing project



NOTE

1 In some projects the housing management function has been retained by the local authority outside the contract.

Source: reproduced from NAO (2010)

Since 1998, £4.3 billion has been allocated to local authority PFI projects, collectively accounting for around 12 000 refurbishments, and construction of 1000 new homes to April 2009. It is estimated that total outputs from the first five funding rounds (the most recent was the sixth) will deliver a total of 28 000 new homes (NAO 2010). Some estimates in the UK suggest that the costs of PFIs in the delivery of social housing are significantly higher than other grant funding schemes, mainly due to contractual complexity and uncertainties about risks and rewards (DCLG 2008a). In its recent review of housing PFIs, the National Audit Office noted that the model 'has been a flexible and useful funding route that has delivered housing improvement', but rather more critically highlighted a range of projects which:

- Took a considerable amount of time to reach contractual agreement (in some cases, 4–5 years), and at significant expense to all parties (see also Hodges & Grubnic 2005).

- Have seen their initial costs increase significantly post-tender (in some cases by up to 100%).
- Led to cost structures not particularly favourable when compared to housing procured through more traditional arrangements (NAO 2010).

Box 4: Housing PFI in Manchester

England's first housing PFI, at Ardwick, Manchester is a partnership between the council, a house builder, a non-profit housing association and a financial institution. The 1970s low-rise public housing estate, although close to the city centre, 'was a notoriously crime-ridden sink estate blighted by graffiti, litter and high unemployment' (Allen 2006, p.17). The council chose a PFI rather than stock transfer to a housing association due to the 'scale of investment [needed] to carry out the wider infrastructure and amenity works and 'pump prime' the whole area' (DCLG 2008b, p.28). In 2003 Manchester City Council transferred 1000 units to a new management company, Grove Village Limited. This for-profit company is owned 49 per cent by private sector developers, and 25.5 per cent each by non-profit Harvest Housing Association and for-profit Nationwide Building Society (Grove Village 2009). Grove Park's 30-year, £100 million master plan involves demolishing 436 public housing units, refurbishing 663 and building 650 new homes for private sale. The council pays an annual management fee to Grove Park, partly reimbursed from national government.

Although the choice of funding route adopted to enable homes to be brought up to 'Decent Homes' standard was a local decision, the report notes that often councils felt pressured into PFI—not least because the amount available per unit was greater than the other options presented (NAO 2010). It also highlights the challenge of having appropriately skilled staff at the departmental level, with concerns that the program was underserved in terms of support and capacity. For those PFIs that are underway, there have also been difficulties for local councils in monitoring contract compliance (Nisar 2007). While individual success stories can be identified, at the program level the housing PFI has struggled. The last PFI bidding round (of six) was announced in 2009, and no further rounds have been announced.

3.1.3 Estate-based renewal in Australia

Over the past decade, a number of substantive projects have been initiated which encompass (to varying degrees) new ways of engaging the private and not-for-profit sectors in the delivery of comprehensive renewal. These have included framework agreements with preferred developers, Joint Ventures, and PPP arrangements. The four programs or schemes briefly introduced here—New Living (WA), Westwood (SA), Kensington (Victoria) and Bonnyrigg (NSW)—provide background to initiatives discussed with a number of our interviewees who had been previously involved, or have ongoing involvement with these schemes.

In WA's New Living program, the redevelopment of a number of public housing estates has been contracted out by the Department of Housing to private developers through a standard tendering process. A major strategy was to use the private sector's marketing capacities as a means to disassociate renewal activity from potential stigma associated with government taking the lead. Standard contracting was preferred because it has allowed the government to maintain more control over the redevelopment, and maximise retention of potential revenues. Although some of the profits from sales are shared with the contractor as a means to encourage optimal performance, the contractor's performance is mainly controlled through performance standards specified in the contract.

The \$800 million transformation of The Parks, a 1950s Adelaide public housing estate, into the mixed-tenure, rebranded 'Westwood' commenced in 1999. It is a Joint

Venture between the South Australian Housing Trust (SAHT)—the South Australian Government's housing authority—and Urban Pacific Limited (private partner) in conjunction with the Port Adelaide Enfield and City of Charles Sturt Councils, between which the redevelopment area is divided. The redevelopment plans include the demolition of 2000 public dwellings, construction of 500 new public dwellings, refurbishment of 500 existing public dwellings (where half will be sold off), construction of 1900 new private dwellings, and increasing the amount of quality open space and public reserves (Baker 2002; SAHT 2000).

Kensington is Victoria's first major redevelopment of an inner city public housing estate. Much of the suburb's 1960s public housing stock has been demolished, including 15 walk-up blocks and one of three high-rise towers; the two remaining high-rise towers have been upgraded and will comprise most of the remaining public housing stock. New construction includes the building of 195 public housing units and 450 private dwellings. While public housing stock comprises more than 50 per cent of dwellings in the redeveloped site, the balance will be provided off-site. The scheme is valued at \$77 million and is planned for completion over 10 stages by 2013 (Victorian Government 2006). The private developer, Becton, has provided most of the initial finance and retains rights for profits from the sale of the private dwellings. The not-for-profit organisation Urban Communities Limited was established in 2006 to provide cross-tenure and place management services, and has registered as a housing association with plans to develop affordable housing in Victoria in its own right (Milligan et al. 2009).

The redevelopment of the south-west Sydney suburb of Bonnyrigg is the first social housing PPP in Australia. Increased social mix and replacement of older, unpopular housing stock are principal regeneration objectives. Prior to renewal, 90 per cent of residents were public housing tenants. The actual number of social housing dwellings on site will marginally reduce, and through increased density and sales of new housing stock to private buyers, the tenure mix at the end of the renewal process will be 70 per cent private and 30 per cent social housing. Redevelopment activity is staged, with demolition and reconstruction taking place over 18 stages. The winning consortium takes responsibility for the design, demolition, construction, asset and tenancy management during and after redevelopment, bringing the total project timeframe to 30 years.

In justifying the PPP approach, the NSW Treasury used a 'public sector comparator' tool to assess the cost of delivering the services by government versus private financing. For Bonnyrigg, government-estimated cost of facilities and services of \$368 million would be 6.3 per cent lower than if redevelopment was undertaken by government itself (NSW Department of Housing 2007b). The tender was won by Bonnyrigg Partnerships, which comprises five partners: Westpac is the financier; Becton Property Group, the developer; St George Community Housing, the not-for-profit housing manager; Spotless Services Australia, the maintenance manager; and the Bonnyrigg Management Company (now branded Newleaf Communities), who manage service integration and community renewal.

The final contract was also meticulous—at 2000 pages in length—covering all aspects of the renewal process, from financial arrangements risk, to a comprehensive evaluation plan. The approach utilises a cross-subsidisation model, with private housing sales used to help finance the cost of rebuilding public housing and providing neighbourhood facilities. This enables an under-resourced public housing agency to clear repair backlogs with a lower use of public funds (Milligan & Randolph 2009). Proceeds from the market rate sales will be split between the equity partners and Housing NSW.

3.2 Partnerships in specialist/niche housing provision

Place-based renewal represents the interplay of often complex issues, stakeholders and outcomes in which cross-sectoral arrangements need to be negotiated. Once again, this section helps introduce schemes in which a number of our interviewees have or have had direct involvement or expertise, and which are picked up on in later stages of the report. These are two quite different solutions developed by the Defence Departments in the US and Australia respectively for the supply and maintenance of housing for military personnel. The prospects for partnership working in this market are shaped by a number of factors.

1. While ensuring appropriate housing for personnel and their families is important, house construction and maintenance is not core business for these departments. This raises the risk that assets will not be managed as efficiently and strategically as they could, and that resources may be sidelined. In this sense, it has been a logical candidate for exploring different management approaches.
2. Although both countries see fluctuations in Defence numbers and changes to accommodation requirements over time, the scale of required infrastructure and ongoing services and the association with government offer a good degree of long-term stability of appeal to both larger private partners and smaller-scale investors. The client base is known and vacancy risks are minimal.
3. Given the specialist nature of the product—housing for military personnel—the assets being invested in are relatively easy for all parties to get their heads around.

As discussed below, the US model – the Military Housing Privatization Initiative (MHPI)—is a PPP/PFI, while the Defence Housing Australia (DHA) scheme provides a sales and leaseback framework enabling Mum and Dad investors to participate. Although the models have different spatial foci, where MHPI covers provision and management of on-base houses and community facilities and DHA purchase and build housing for personnel within the wider housing market, both offer a geographical spread of risk.

3.2.1 *Military Housing Privatization Initiative (MHPI), US*

By the 1990s, US military housing had become increasingly identified as unfit for its purpose. Tied to defence force budgets but not considered core business, existing models for housing provision and on-base community provision for personnel were failing to meet needs, not least in addressing recruitment and retention issues. The Clinton Administration introduced the MHPI which established a program enabling the transfer of military housing to private sector companies. Actus Lend Lease, a subsidiary of the global developer, has built its public/private community development business in the US through the program, which involves partnership with the US Department of Defense and working across the Army, Navy and Air Force services.

Actus currently has over 40 000 residential units in its portfolio. The model is a comprehensive PPP arrangement, with properties handed over to Actus on a 50-year lease for \$1. For the duration of that lease, Actus is responsible for financing, developing, building, renovating and operating these sites. With low risk attached to occupancy rates—in effect government is guaranteeing rent—the model has proved financially and commercially attractive (Actus Lend Lease 2009).

3.2.2 *Defence Housing Australia (DHA)*

DHA was set up in 1988 to provide homes for Australian Defence Force personnel and their families. As at June 2009, DHA managed 17 365 properties in all states and territories, representing around \$7.8 billion of housing stock, two-thirds of which are owned by private investors and leased back to DHA through the Sale and Leaseback

Program (DHA 2009a). The sale and leaseback model was launched in 1996 to provide an investor-facing product targeted towards Mum and Dad investors that can ensure efficient use of capital. The program acquires housing through a mix of construction, purchasing and leasing. In areas of significant demand for Defence property—including Canberra and Darwin—DHA have also entered into new partnership arrangements with larger developers (see Box 5). For investors, the model offers a standard lease term of 9–12 years, providing zero vacancy risk, guaranteed income and restoration provisions at the end of the term. Further activity is currently being supported through the stimulus plan, where DHA was allocated \$245.58 million to build 802 homes throughout the country (DHA 2009b).

Box 5: DHA and CIC Australia

Defence Housing Australia operates an informal developer and builder panel comprising qualified and licensed teams to construct project homes. Often these are small- and medium-sized companies (SMEs), but DHA also partners with larger developers as part of major projects. Canberra Investment Corporation Limited (CIC Australia) has partnered principally through joint venture arrangements with government agencies and other private developers to develop and manage housing projects throughout the country. In partnership with the ACT's Land Development Agency (a public partner), DHA and Delfin Lend Lease (a private developer), CIC Australia is responsible for the creation of two new suburbs in the nation's capital—Forde and Crace. CIC Australia is also partnering with Defence Housing Australia in Darwin, where the master-planned community of Lyons will provide a mix of Defence and private dwellings.

3.3 State and local government partnerships in affordable housing provision

Land costs are inevitably a key determinant in both shaping broader housing affordability constraints and the financial viability of individual schemes and initiatives. Ownership of that land can therefore represent a powerful basis for partnership. Although partnerships initiated by local government, typically working in collaboration with state government or state-level agencies, to deliver social and affordable housing are not common in Australia, a number of examples can be identified (see Milligan et al. 2009).⁵ Two organisations (the Brisbane Housing Company, Port Philip Housing Trust) and two project-based partnering arrangements (the Glebe Affordable Housing Project (NSW) & Brahma Green (SA)) are highlighted in Box 6.

The relative paucity of such initiatives can be attributed to planning legislation in some states, with restrictions on the use of private finance or on contribution of council land to private developers. The risk-averse frameworks in which local governments necessarily operate, tied to the limited asset and revenue capacity on which any form of partnership agreement could be based, also limits involvement.

⁵ The use of government land as a contribution or leverage to development is used extensively internationally as a means of underpinning the viability of schemes and enabling appropriate policy goals to inform the outcomes achieved on those sites. In the UK for example, English Partnerships and latterly the Homes and Communities Agency (HCA) take lead responsibility in remediating and bringing forward redundant land assets held by a range of central government departments (such as closed hospital or school sites) to develop mixed communities with a range of affordable housing options. This has included exploring potential JV arrangements between local authorities and private developers to establish local housing companies, where councils 'invest' suitable land under its jurisdiction in the company and private developers and investors provide house-building expertise and funding that matches the value of the land (HCA 2009).

However, some legislative changes are aimed at making better use of resources at their disposal. For example, at the state level, the recently passed *Residential Tenancies Bill 2010* in NSW is giving the Rental Bond Board, with approvals from the Minister of Housing and Treasury, previously unavailable power to enter into JVs with Local Government Areas (LGAs), agencies and corporations for the development of land in connection with housing provision (NSW OFT 2009; NSW Parliament 2010). Further opportunities are also being explored in relation to land held by the Commonwealth government and agencies, with a new framework for disposing of surplus land announced in February 2009.

Box 6: Partnerships in affordable housing provision

Brisbane Housing Company

The Brisbane Housing Company (BHC) was established through a partnership between Queensland's Department of Housing and Brisbane City Council. A major driver for the establishment of BHC was the lack of capacity among existing community housing providers to handle large developments (CHCWA 2003). Since its incorporation in June 2002, BHC has received \$114.4 million in grant funding from the state government, \$14 million from the Brisbane City Council and \$7 million from the Commonwealth through the NBJESP Social Housing Initiative. Additional funds have been borrowed from Westpac and BankWest. In 2009, BHC owned 707 occupied units, with another 453 units in an advanced planning stage (BHC 2009). Households for which public housing may not be available in a timely manner are given priority in allocation.

City of Port Philip and the Port Philip Housing Trust

In response to gentrification pressures in the LGA and meeting the aims of its local housing strategy to be engaged in both the facilitation and provision of affordable housing, the City of St Kilda Council (later amalgamated into the City of Port Philip) in South Melbourne, established the St Kilda Housing Association in the mid-1980s to manage housing and tenants on behalf of the council. The Association's activities survived the 1994 local government reorganisation, and in due course was renamed Port Philip Housing Association (PPHA). In 2005, the council's housing program was restructured and the Port Phillip Housing Trust (PPHT) was established as the major vehicle to manage both the partnership and guide direction of the City of Port Philip's affordable housing policy more generally. A 'Trust Deed' was signed by both parties, providing an overarching policy approach for all projects. Establishing the Trust has allowed the council to:

- Overcome limitations arising from the council being a developer as well as planning authority, for example, to enter into partnerships which previously the council was prohibited from doing, such as joint venturing with the private sector or raising private finance (Milligan et al. 2004).
- Reduce risks associated with future political shifts at council level. Partnership arrangements offer a framework in support of ongoing affordable housing provision that can extend beyond the limits of political life-cycles between elections.
- Respond to restructuring in the state's regulations concerning affordable housing provision by non-profit organisations in a more efficient fashion. By becoming a trustee of PPHT, PPHA positioned itself to become a Registered Housing Association (City of Port Phillip 2009).

Glebe Affordable Housing Project

A Memorandum of Understanding has been signed between City of Sydney and Housing NSW for a proposed redevelopment of the inner city suburb of Glebe. The proposed Glebe Affordable Housing Project will provide a mix of 700 social, affordable and private housing units. The total cost of the development is estimated at around \$260 million and will be funded in part by private dwelling sales (City of Sydney 2008). The partnership will also seek to take

advantage of Commonwealth funding opportunities, such as NRAS, within the overall funding mix. City of Sydney will take responsibility for the construction of a new depot, funded by sales of private dwellings, but will not be responsible for the funding, construction and ongoing management of affordable housing on the site.

Brahma Green

City of Salisbury Council, South Australia, has entered into an arrangement with Homestart Finance—the state’s government-backed affordable finance provider—and the Affordable Housing Innovations Unit (AHIU) to develop homes for lower-income home purchase within the LGA. The council has contributed the site at Brahma Green—a former reserve that had been rezoned and was destined to be sold off under normal development conditions—under a legal and financial model developed with Homestart. Additional partnering benefits came through a successful application for HAF. With the land component held as a separate equity mortgage arrangement in favour of the council, the size of home loan required by the purchaser is reduced to a proportion of the full ‘land and house package’ value. When a property is sold, council recoups its equity share represented by the land component, plus a share in the appreciation of the property. McCracken Homes won a competitive tender and have been appointed builders, offering a range of design options across the eleven sites available in this pilot development (City of Salisbury 2009).

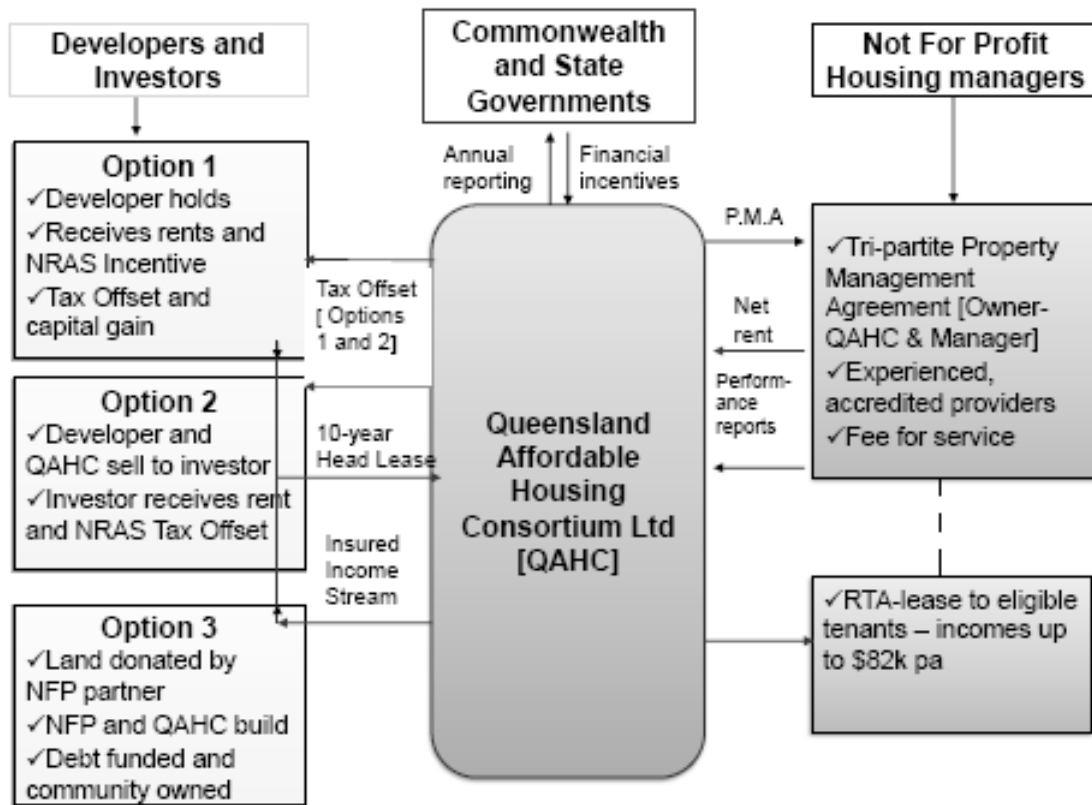
3.4 NRAS and growth of the community housing sector

The arrival of NRAS has acted as a catalyst, both in simple terms through the additional funds available for encouraging increased affordable rental housing supply and in the expected role that the sector will play in the ongoing management of properties, in contributing to the transformation of the community housing sector in Australia. Although not mandated, there is a steer toward collaboration and partnership working, and many of the growth providers who enjoyed significant success in the first two NRAS application rounds have been at the forefront of developing a range of models necessary to respond to the scale requirements required in Round Three. While it is not possible to represent the breadth of models currently being established across the country, a small selection of partnerships—once again providing an introduction to initiatives discussed by our interviewees—are introduced below.

3.4.1 Queensland Affordable Housing Consortium (QAHC) and DNA Partners

QAHC represents a collaborative model that brings together non-profit housing providers, local authorities, private investors and a university to deliver new rental housing under NRAS. The structure of the consortium offers a central governance arrangement that provides a single point of contact with different layers of government, streamlines legal and financial contractual arrangements, is responsible for lodging NRAS applications, marketing and sales, coordinating rental tenancy management, and project ownership and management on behalf of private investors (see Figure 2.).

Figure 2: Queensland Affordable Housing Consortium business model



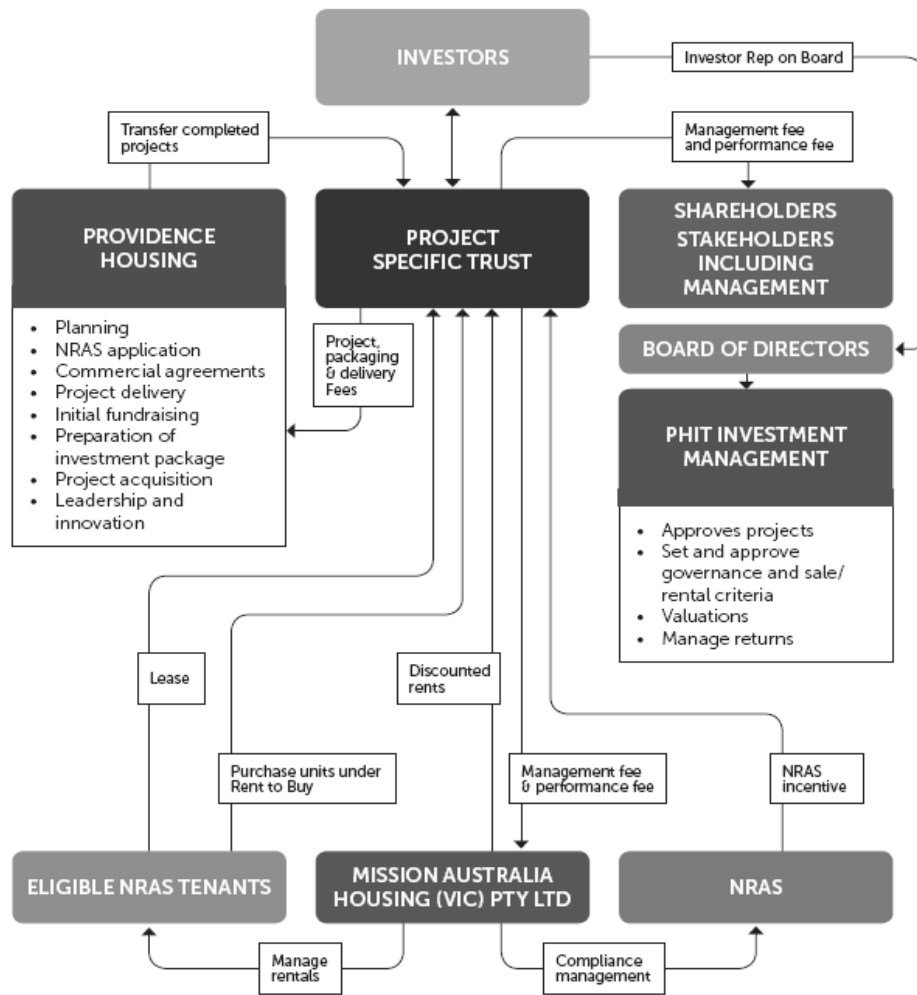
Source: QAHC (2009)

The consortium’s interface with private investors is provided by DNA Mutual, which has been established to ‘facilitate the distribution of NRAS assets to passive investors under institutional advice’ (QAHC 2010). The consortium itself acts as a partnering agreement but does so in terms of establishing a framework for building confidence and assurance among the respective parties, and working on normal terms, rather than an arrangement dictated by financial risk.

3.4.2 Providence Housing and Mission Australia Housing

Providence Housing’s approach demonstrates broad similarities with the QAHC approach, and shares in its growth ambitions. Its mission is to ‘be seen as a leader nationally in the development and delivery of NRAS and be partner of choice for leading housing associations and growth providers’ (Providence Housing 2010, p.3). They currently work with Mission Australia Housing (MA Housing), including at Casey Gardens in south-eastern Melbourne, a mixed-use development with more than 500 dwellings including 285 NRAS incentives. Providence Housing acts as the lead facilitator in packaging up proposals, securing NRAS incentives and taking responsibility for project identification, negotiation and acquisition, tendering, packaging up investment and delivery (Providence Housing 2010, p.9). MA Housing provides tenancy management services tied to the NRAS allocations. For MA Housing, partnering provides capacity to grow (with the aim of managing 10 000 properties nationally in 10 years), and protects the organisation’s charitable status (see Figure 3).

Figure 3: Providence Housing/Mission Australia business model



Source: Reproduced from Providence Housing (2010 p.20, Figure 3)

The third component of the model is provided by establishing investment trusts at the individual project level and with the aim of developing the Providence Housing Investment Trust (PHIT) that would aggregate funds across all holdings in order to offer more diversified portfolio options for investors. The proposed strategy aims to offer a 'unique investment solution that is independent of the interests of specific developers or owners, and has been thoroughly researched with leading professional advisors. The solution is flexible and expandable, to provide the scale and diversity of risk management necessary to meet the needs of the investor, as well as policy outcomes sought by government' (Providence Housing 2010, p.13).

3.4.3 Growth Providers in NSW

In NSW, the major growth providers are also exploring new partnership proposals as both a response to Round Three of NRAS in the short-term and as the basis for moving to scale. Both Affordable Community Housing Limited (ACHL), which manages 2000 properties primarily in the central and western suburbs of Sydney, and Compass Ltd, with interests across the Hunter Region, are exploring investment models that borrow more from the DHA approach (see above) by bringing together smaller groups of developers and Mum and Dad investors. Rather than establishing a separate entity, ACHL pitches its role as partner-facilitator for a family of smaller-scale builders and developers who may wish to access NRAS opportunities. As well as managing the application for NRAS funding and, if successful, providing ongoing

property and tenancy management in the proposed model, ACHL will assist developers with the passage of development applications (DAs). This builds upon their experience working with local governments, but also captures the additional benefits of increased floor space ratio allowances and access to the fast track approvals process.⁶

BlueCHP acts as a charitable entity established by five existing community housing providers operating predominantly in southwest Sydney and southern NSW and aims to bring together funding opportunities from both government and the private sector to develop new affordable housing. The amalgamation of interests between the providers helps build a more sustainable scale of operation, and tied to this a healthier asset balance sheet from which to leverage opportunities. BlueCHP has been awarded 306 incentives to date and have used a debt-funding secured against their balance sheet as their preferred model. BlueCHP also has an interest in taking a lead role in helping the sector develop its own stock, therefore bringing private development expertise in to the sector rather than partnering project-by-project with developers. This inevitably raises questions regarding scale, skills and capacity within individual providers to do so, based upon recognising the potential buying power of the sector as a whole. However, BlueCHP sees the potential for a non-profit developer, providing a trustworthy and collaborative model across providers.

3.5 Summary

In this chapter, we have touched upon a small number of examples of partnership working in the housing and urban context. Across this spectrum, it is inevitable that a broad range of partnership approaches have emerged, although the drivers, characteristics and desired outcomes demonstrate a considerable degree of overlap. Collectively, the models in place utilise a range of levers in order to make better use of equity held within assets, for example land and buildings, or to rework public expenditure or subsidy to deliver more efficiently or effectively. Such models will be influenced by wider policy and institutional frameworks, and of course by the pragmatics of fiscal constraint: getting the private sector to take on risk and pay the costs of capital (even if in the long-term savings to the public purse are harder to demonstrate) may often make the difference between doing nothing and being able to renew, build or regenerate.

Although the long-term nature of neighbourhood renewal arguably lends itself to structured arrangements such as PPPs, their use internationally has not been entirely successful. The long-term risk profile of mixed finance models will only unfold over time; and certainly in many cases, the supposed advantages and efficiencies of private sector engagement and delivery can be questioned—particularly in the UK's experience of housing PFI. The use of these arrangements in Australia have been limited to date, with Bonnyrigg the first and only housing PPP in the country. In part, the level of uptake and success seen reflects limited capacity and resourcing across tiers of government. However, it also points to the complexity of the renewal process, particularly where existing, often disadvantaged communities are involved and where the intended project outcomes—affordable housing, 'mixed-tenure' neighbourhoods—are hard to grasp and cost over time. Our quick look at MHPI in the US provides pointers toward the more 'certain', contained and large-scale program commitment that best accords with more structured partnership arrangements.

A small number of pioneering local governments—such as Port Philip, Brisbane and City of Salisbury—have spearheaded partnership models for the delivery of affordable

⁶ Tied to the NSW Government's Affordable Rental Housing State Environmental Planning Policy (SEPP) introduced in 2009 which requires any resulting provision to be managed by a registered Community Housing Provider.

housing, typically leveraging value out of their land. The arrival of NRAS has provided further impetus for innovation and cross-sector collaboration. Here, partnership working has been a necessity for a developing not-for-profit sector with limited balance sheets and development experience, as well as needing to protect charitable status considerations. But it has also provided significant opportunity in terms of pursuing longstanding goals of attracting both Mum and Dad investors and institutional investment into affordable private rental provision. A wide range of models are emerging that aim to bridge investor need and policy objectives for the provision of submarket rents to targeted groups.

4 PARTNERSHIP STRATEGIES

Partnership is a rubbery word. We've got 'management partnerships' in terms of projects being put together where a community housing provider and a developer have reached an agreement about the way a project is going to roll out, about sharing the incentive and the rent. But that's not about partnership, that's more about management arrangements. (interview)

A lot of what we call partnerships just end up being contracts, just happen to be a series of contracts between organisations which get on very well and always choose to contract together. (interview)

Over the next two chapters, insight from our stakeholder interviews form the basis for exploring key factors shaping the rationale for, and success or otherwise of, partnership working. While many of the fundamental issues drawn out are relevant and applicable to most forms of cross-sector collaboration, we have a particular interest in exploring whether there are distinct factors—either in degree or kind—that influence the appropriateness, viability and success or otherwise of partnership working arrangements in the design and delivery of housing and urban policy.

We are interested in understanding the characteristics of partnership arrangements, how this determines, and is determined by, the different stakeholders who come together, and the terms under which they do so. Bringing together the skills necessary to deliver place-based urban renewal or provide and manage affordable housing, necessitates negotiation across different business structures and different organisation philosophies. The rationale for partnership working introduces this inherent challenge: how do you determine mutual benefit and reconcile the different reporting requirements, risk profiles and priorities of stakeholders? Where partnerships are tied to long-term initiatives, how do arrangements evolve over time?

In exploring these issues, this chapter comprises three sections.

1. *Foundations for partnership working* explores the importance of getting the brief right and a tendering process that enables the most appropriate response to emerge. We reflect on the importance of brokers in bringing partners together and their role as 'translators' between often quite different priorities and required outcomes. The importance of establishing a shared evidence base and shared vision as the basis for inward-looking and outward-facing partnership operation is highlighted.
2. *Optimising risk allocation and allocation of risks over time* considers how risks (and rewards) are identified, allocated and managed in housing partnerships. We reflect upon our interviewees' understanding and negotiation of: risks tied to establishing suitable financing arrangements in the context of an emerging asset class; risks associated with mixed-tenure redevelopment, particularly involving communities *in situ*; and the need within long-term, complex partnership structures to balance a need for certainty with means to be flexible and accommodate change over time.
3. *Working together: building cooperation*, where the added value associated with closer partnership working is discussed. Here we consider issues of trust and communication between parties, the organisational structures and governance frameworks that can facilitate greater synergies, and the impacts partnership working can have in feeding back to organisational, institutional and broader sectoral practice.

4.1 Foundations for partnership working

Shared problems need shared solutions. (Audit Commission 2009b, p.10)

In this section, we consider the reasons why partnerships form and the challenges of doing so. Cross-sector working necessarily brings together different perspectives, requirements and expectations. This places significant demands on ensuring that the guiding brief or policy framework at the outset demonstrates how those different terms of reference and interests are to be effectively accommodated, not in terms of giving a tight specification of expected outputs or approach, but which are open to, and enable, different ways of 'thinking and doing'.

4.1.1 *Getting the brief right*

In the first instance it falls upon the instigators of a policy or program to understand why potential partners may wish to respond to a brief through collaboration and what conditions and settings may either assist or hinder this. In preparing tender documentation, the rationale for promoting partnership working needs to be clear. For example, where the scope of works and likely approach is well understood, the required outcomes known and measurable, and the nature of service provision required relatively straightforward, then an approach—such as structured PPP/PFI—that can build efficiencies around known certainties is clearly logical. In cases where both the potential approach and outcomes tied to an initiative are far less understood and demand innovation, a more flexible and staged approach to partnership formation and operating—for example through Alliancing—may be better suited. As one of our interviewees commented:

PFI is not suitable when it's too open: when the public sector says, we don't really know what to do, let's just go with it to the market ... When you render PPP/PFI down to the basics—to provision of ongoing services, generation of the most efficient and best utilisation of capital at the front end, and efficient ongoing financing and risk pricing. That's when it's straightforward. (interview)

In order to act as an intelligent client and ensure that the structures required to encourage partnership working are understood, those skills might need to be brought in-house. For example, when the DHA Sales and Leaseback program was reworked in the 1990s, real estate, chartered surveying and marketing capacities were brought in-house to reposition and restructure the initiative in terms that worked for investors and the development industry as well as government. In the context of developing the policy response to the renewal of the Bonnyrigg estate in south-west Sydney, Housing NSW did not have to transfer private sector-facing skills into the team, but a number of factors conducive to encouraging partnership thinking can be seen.

- The project came under the jurisdiction of the Living Communities team, which benefited from a degree of autonomy from the traditional silos and reporting lines in the Department.
- The team involved members who had previously led major infrastructure programs (including the 2000 Sydney Olympics) and who had extensive knowledge of, and commitment to, 'best-for-project, best-for-place' renewal principles.
- The Department's approach in nearby Minto provided lessons not to be repeated.

A substantive amount of preparatory work, consultation and due diligence by Housing NSW led to a comprehensive brief that remains acknowledged by many of our interviewees—including those involved in the team who successfully won the bid as well as those that did not—as the basis of a shared understanding between partners across the project.

4.1.2 Ensuring the benefits of the tendering process are maximised

I wasn't surprised by the lack of partnerships developed under [the early stages of] NRAS, because of the timeframes and the constructs put around it. I mean, if you had to deliver the stock by a certain time, all built and ready to go, it wasn't realistic for partnerships to be developed unless you're operating really quickly. (interview)

The tender process also needs to enable the potential benefits of partnership collaboration to materialise. Responding to a brief is necessarily equally complex and challenging; it can also represent a substantial financial and time commitment on the part of all parties involved. Given the costs involved, a number of interviewees stressed the need for procurement approaches to provide sufficient incentive to prepare a tender, as well as to ensure that the intellectual efforts that go into preparation are most effectively used. For organisations, the decision to tender is likely based on considering the extent to which the time expended and intellectual property (IP) created can be essentially replicated over time.

A number of our interviewees emphasised the benefits of procurement approaches that provide suitable timeframes and structures enabling different partners to establish a shared vision and best-for-project philosophy at the time of tender preparation. A staged approach, with a separation of the 'best response' and 'best price' components of the decision-making process can offer a framework where the team can ensure that innovation gets built into the response. This is a defining element of Alliancing arrangements (more so with pure rather than hybridised models), whereby partners are selected by a competitive process based upon credentials and approach rather than cost (see Chapter 2).

Similar opportunities to build in time for innovation at the time of responding to the brief are provided where the procurement process is rolled out in stages. When Actus Lend Lease were successful bidders in the MHPI in the US, the process saw their selection with 'preferred status' followed by an intensive period of collaboration over the next 6–12 months where the team worked closely with government, the different armed forces and personnel to develop Community Development Management Plans for the schemes across the portfolio. This involved an intense round of 'getting to know you' workshops straight after the selection process, and an environment where best-for-project principles tied to outcomes rather than attempts to find solutions constrained by business as usual structures, could be pursued. During this phase, Actus Lend Lease was granted exclusivity, which meant that they could finalise their response with a better understanding of risk. This was also considered highly beneficial in terms of financing because they could go to the market with greater assurance and secure funds on more attractive terms.

Such procurement structures demand longer lead-in times, but demonstrate benefit in situations where the most appropriate approach is not known. They may also help counter preconceived assumptions on the part of the client regarding the capacity of tenderers to innovate in response to the brief. A number of our private sector interviewees suggested there was an underestimation by governments of the capacity of the private sector to provide innovative solutions tied to achieving outcomes rather than specified outputs, and that briefs often risked being overly prescriptive in terms of expected approach. Equally, there may be overly ambitious expectations placed on the private sector and assumptions that working alongside government provides benefits that mean that typical commercial return expectations can/should be mediated.

4.1.3 Facilitators and brokers

[Among] the problems we have is the absence of a reliable market. A certain skills set isn't necessarily there. For example, the ability to evaluate risk and price with scant design information ... often doesn't exist. (interview)

None of our partners invest in the consortium. They just do what they do. Developers go off and get development finance and build properties. Banks lend to investors. Managers manage property and we just facilitate the whole thing over 10 years. We just package it all up. (interview)

Given the emergent nature of partnership working in response to housing and urban policy opportunities—and in particular the opportunities presented through NRAS—the pivotal role being played by 'brokers' and facilitator organisations is of interest. This is not simply a reflection of the inevitable layers of those 'clipping the ticket'—the accountants, lawyers and so on—that accompany partnership working, but the involvement of knowledge and intelligence brokers helping both minds meet and the numbers to stack up. Across sectors, the synergies, connections and expertise of many of our interviewees highlight the concentration of housing sector knowledge within Australia. For example:

- The current roles of former DHA employees either within, or providing strategic advice to, community housing providers present opportunities for lesson and knowledge transfer.
- Many of those we spoke to had been involved in some capacity with the renewal of the Kensington estate in Melbourne and Bonnyrigg in southwest Sydney, whether as part of the winning team or not.

Organisations such as Affordable Housing Solutions (see Box 7) have identified their role as 'facilitators' in response to the opportunities and challenges presented by NRAS. In the case of AHS, the team aims to 'create and nurture partnerships between the private sector, government departments and not-for-profit community organisations' (AHS, 2010). As one of its partners identifies:

We are developing what you would call an alliance or a partnership with a range of not-for-profit organisations to manage stock. We are putting alliances together with developers to deliver stock. We are seeking an agreement with a financier to provide the finance for it. From our perspective, we will set up a Special-Purpose Vehicle to act as the conduit for all that. The finance goes in, it buys properties and leases to the housing associations. We will manage the special-purpose vehicle. (interview)

Box 7: Affordable Housing Solutions: 'Our services'

- AHS is not a developer, but will work closely with developers to arrange the sale of land or completed dwellings for affordable housing.
- AHS is not a builder, but will engage builders to construct affordable housing dwellings.
- AHS is not a banker, but will negotiate with banks to arrange finance for affordable housing projects.
- AHS is not a housing association, but will work closely with housing associations to procure the ownership and/or management of affordable housing'.
- AHS is an innovator of new affordable housing products. We are focused on long-term solutions, or programs, to deliver sustainable affordable housing solutions.

Source: AHS (2010)

Rather than explicitly integrate finance into the partnering arrangement, the approaches being developed provide a framework within which different requirements of each necessary organisation can be brought together to deliver viable outcomes. These organisations are also helping scope the bigger picture (why partnerships are required), and how the various elements required to make a project work, can come together. They can also assist in translating across the complexities arising from different perspectives, priorities and practices. For example, one of our interviewees noted how small-scale builders are 'uncomplicated guys': they know their business intimately, spend their lives seeking out potential sites where they can make development stack up, know their local markets and work within particular planning frameworks. Although NRAS seeks to assist in terms of improving development viability, it introduces a new layer of input and expectations into usual practice. When wrapped up with further considerations such as the affordable housing SEPP in NSW, then what in policy terms is considered a targeted incentive may be seen as too complicated, too disruptive to normal practice and avoided. In such circumstances, these facilitators can act as a conduit that reduces exposure to these complexities. Similarly they can help the public and not-for-profit sectors interface with the market in areas where skills and experience remain as yet limited: those with a background in real estate, brokering land deals and packaging together finance have a particular role to play.

4.1.4 When different worlds collide

The first problem is when you actually get your basic partnership, no one even speaks the same language, and even when you train people up to maybe understand the issues ... they [maybe] don't understand it in their heart. They understand it intellectually, they don't really understand the drivers. It's that value set difference. (interview)

When you have a financier on one end of the table and a non-profit at the other, the narrative is confusing. (interview)

Asking organisations to move into a place where they could start thinking more strategically was really the first goal that I had and then looking whether their structures could deliver on their strategic thinking. (interview)

Cross-sectoral partnerships intentionally bring different worlds—and their perspectives, pre-conceptions, demands and expertise—together. This raises a number of challenges and opportunities in terms of how risk is understood and shared, and how organisations adapt and evolve through partnership working practices. A number of our interviewees noted the need for the motivations and expectations of all parties entering into partnership working arrangements to be made clear at the outset. One identified the importance of developing principles of mutuality to help understand where each party is really coming from and what is driving their interest in getting involved.

Language often comes into play, alongside more fundamental differences between the guiding rationale for organisational behaviour between private and non-profit sectors. While it can be argued that these differences are as much perceived as real, the different structures potentially clash in terms of:

- Primary goals and drivers: in social or environmental terms, the private sector's key objective is to maximise profits and shareholder's value (Tudway & Pascal 2006).
- The influence of stakeholders on strategic and operational conduct of the organisation being more elaborated in non-profit organisations (Bach & Whitehill 2008).

- Their income structures (Nutt & Backoff 1992).
- Their decision-making processes, with more participatory and consensus-based approaches seen in non-profit organisations (Allison & Kaye 2003).

Perry and Rainey's (1988) review of research and literature exploring differences between government and private sector organisations highlights a range of differentiating factors that arguably prevail in perceptions and expectations across partners. These include the public sector placing greater focus on legal and administrative procedures, having weaker incentive and performance structures, greater rigidity and formalisation of structures, a greater tendency toward crisis-driven management and politicisation of the decision-making process, and more intangible goals (Perry & Rainey 1988, p.186). More recently, van der Wal et al. (2008) found that public sector organisations are different from private sector organisations in the value sets of their staff members. While 'lawfulness', 'impartiality' and 'incorruptibility' were the most important values among public sector staff who participated in their study, these values were ranked comparatively lower among participating private sector staff, for whom the core value was 'profitability'.

A number of our private sector interviewees noted that the policy realm and indeed the traditional procurement strategies of community housing providers are often quite removed from understanding how the development industry works, 'how a house actually gets built' and the nature in which 'deals' get made. For example, decisions arising out of more informal discussions are inevitably more common in the private sector, where firms are ready and capable to act on such agreements.

4.1.5 The importance of establishing a shared vision

It's important that the vision aims are really easily understood around the table because the documentation ... is super complex, and you read it and just get a headache. So you've got to have your vision and your operating environment pretty well structured so that when new people come into the team it doesn't look like they've got to climb the north face of the Eiger. (interview)

Core to success is developing a shared understanding of the project between the partners that enables the interest of constituent members of the partnership to focus on a best-for-project approach. Ideally, this draws on the strengths of constituent elements of the team in responding to shared objectives and requires appreciation of other parties' perspectives. The benefit of this often challenging meeting-of-minds is the potential for innovation at the earliest stages of the project. Drawing upon a range of perspectives—and associated range of business, market and financial considerations—can help drive new ways of thinking in response to both opportunities and constraints. In the context of our discussions with the Bonnyrigg team, interviewees identified how the initial stages of partnership development helped integrate approaches to deliver outcomes that made social, economic and environmental sense, both upfront but also over the term of the project.

[Previously] there was no whole-of-life perspective. [Here] there's a relationship between Becton [the developer] and Spotless [the maintenance contractors]. They're looking at what does it cost? Is this the best way we can build to ensure long, good whole-of-life, life cycle [outcomes]? (interview)

Part of the discussions around where houses go and what mix is private, what types are public, what amenities they'll have—all of those issues are factored into a partnership process, into what you deliver, whereas in a private development the social policy outcomes don't really get attention. (interview)

Similar benefits were noted by a private sector stakeholder when reflecting on the process of bringing together different interests through the Stirling Alliance in Western

Australia. By having planning, delivery and technical people involved at the outset, the response can be shaped by pragmatism as well as aspiration. Through a collaborative approach, 'things fall out and stick'. A number of interviewees emphasised the importance of a comprehensive evidence base in providing a foundation on which shared understanding and a best-for-project approach can be established. As well as providing the framework for a common language between the partners, it also provides a means of selling the partnership and project back into their respective organisations. This is particularly important at the detailed contract stage where decision-making moves from those that understand the shared vision to those whose point of reference inevitably remains within the realms of risk and commercial return.

4.2 Optimal risk allocation and managing risk over time

I think the term PPP is misrepresentative, it really isn't a partnership, to be honest. It is very drawn out, very detailed negotiations in a tender format ... driven around a predetermined risk model to achieve certain deliverables and objectives. (interview)

You can't transfer political risk but you can transfer financial risk. (interview)

The success of a partnership fundamentally depends on the ways in which risks are identified, allocated and managed. In this section, a number of areas tied to risk allocation between parties are explored. The first considers challenges tied to the initial allocation of risk and negotiation between parties as to where those risks (and consequently rewards) should reside. Second is the task of establishing suitable financing arrangements and associated allocation of risk given uncertainties tied to a new asset class is considered. The third identifies a particular challenge for large-scale place-based urban renewal, where the introduction of greater tenure mix is integral to the redevelopment process. How do parties negotiate the potentially competing demands guiding the staging of redevelopment—tied to the structure of finance and debt facilities on the one hand and community needs on the other? Finally, a key issue brought up by many of our interviewees related to partnership structures and the management of risk over time: how do you provide both the certainty to structure and allocate risk, as well as sufficient flexibility to respond and address new and potentially unforeseen issues 5, 10, 15 years down the track?

4.2.1 Allocating risks among partners

Risk negotiation between parties within a partnership demands an open and transparent understanding of all risks and costs associated with those risks at the outset. Risk should optimally be allocated to someone who:

- Has been made fully aware of this risk.
- Has the greatest capacity (expertise & authority) to manage the risk effectively and efficiently (and thus charge the lowest risk premium).
- Would make most benefit from taking the risk.
- Has been given the chance to charge an appropriate premium for taking it.

When seeking to maximise risk transfer, rather than achieve optimal risk allocation according to the principles above, the public sector may merely gain the illusion of risk transfer. This is because the risk might be transferred back to them in the long-term as problems arise (Loosemore 2007). Arguably, public sector partners are in a better position to manage 'systematic risks' associated with broader economic and environmental changes that affect not just the specific project but the market as a whole. Other risks, 'non-systematic' or 'specific', have an impact on the specific project the partnership is responsible for, and thus can be more easily managed by

partners other than the public sector (Akintoye et al. 2001, p.3). While ideally risks should be allocated to the party which is in the best position to manage them, in practice they are often intertwined in such a way that they cannot be simply separated and distributed. In such circumstances, they need to be shared and dealt with in collaboration.

Tender documentation and post-contractual discussions regarding final partnership terms agreed between Housing NSW and Bonnyrigg Partnerships for the PPP at Bonnyrigg offers instructive insight into the risk allocation process (NSW Department of Housing 2005; 2007a). Initially, most risks were allocated to the prospective contractor, although some were retained by the public sector, for example the demand for public housing. As shown in Table 1, the finally agreed allocations highlight a number of changes. In particular, an increased number of risks classified as 'shared' between government and partnership are specified:

- Interest rate risks were originally expected to be allocated to the successful bidder but were transferred to Housing NSW in the final contract.
- Rather than risks tied to inflation and planning approval being the responsibility of the bidder, they were shared between Housing NSW and Bonnyrigg Partnerships.
- Risks tied to the rate at which existing public housing is available for redevelopment, originally to be kept by Housing NSW, was also shared in the final breakdown.

The resulting list of shared responsibilities represents a mix of those where the public sector can (to a certain degree) take some ownership for those risks (for example the planning system, although in practice this largely comes under the jurisdiction of the local LGA), and those that may be seen as out of the hands of both (such as inflation).

Table 1: Risk Allocation between Housing NSW and Bonnyrigg Partnerships

<i>Risk</i>	<i>Allocation of risk</i>	
	<i>Housing NSW</i>	<i>Bonnyrigg Partnerships</i>
Assessment and allocation of tenants; administration of tenancy arrangements		✓
Collection of rental revenue from tenants, including recovery of bad debts and other amounts owing		✓
Demand for public housing	✓	
Demand for private housing (sale or rent)		✓
Realisation of commercial opportunities associated with the project such as private housing development		✓
Changes in performance-based specification	✓	
Planning and other approvals	✓	✓ *
Design		✓
Construction		✓
Refurbishment		✓
Acquisition of dwellings outside estate area		✓
Cost and time overruns		✓
Rate at which existing public housing is made available to the contractor	✓	✓ *
Availability of housing into which tenants can be relocated		✓
Asset life		✓

Facilities management of public housing		✓
Vandalism	✓	✓
Industrial relations affecting availability or cost to contractor		✓
Timely delivery of public housing		✓
Availability of public housing		✓
Raising and servicing debt and equity finance		✓
Interest rate risk before and after financial close	✓	*
Inflation risk	✓	✓ *
Foreign exchange risk		✓
Market value of public housing at contract expiry	✓	

*Sections where agreed allocation (NSW Department of Housing, 2007) is different from indicative risk allocation in Call for Expressions of Interest (NSW Department of Housing, 2005)

As well as the complexity of identifying and allocating risk between the commissioning body and partner, the internal structures and relations within the partnerships themselves will also be framed around risk. Here, the challenge rests in balancing recognition that all parties, and the roles they provide, are vital to the functioning of the partnership on the one hand, with the need to identify the relative scale of risk tied to those tasks and the implications of carrying those risks on the other.

In the case of Bonnyrigg—and this is likely to be so in any comprehensive urban renewal approach—ongoing human services provision forms a key part of the long-term business model and partnership structure. Within the partnership, this juxtaposes quite different expectations in terms of commercial return. It also shapes the nature of risk sharing as a result of the quite different capacities of each party to take ownership of those risks. A number of interviewees noted this as an important consideration:

In a social PPP where you get paid for an ongoing service, the person providing the ongoing service is a not-for-profit company with no balance sheet and no assets. As a major PPP you're exposed to their performance. You can't even sue them if they do something wrong because they've got no assets. (interview)

Until such time as community housing providers have anything remotely approaching a meaningful balance sheet they were always not going to be real partners ... In a literal sense they couldn't be partners because they couldn't carry any risk. (interview)

I wouldn't go back to that structure [PPP/PFI] until such a time as you had housing associations which had a balance sheet that would satisfy the requirements of the financier, and that they either had sufficient experience in being able to contract these larger facilities managers or had developed the experience and capability of delivering a total facilities management capability themselves. (interview)

Illustrative of the challenge faced by the sector in response to current growth objectives, the existing balance sheet of St George Community Housing was insufficient to carry the potential risk tied to the expansion of their business portfolio at Bonnyrigg. To address this, it was agreed that Spotless Ltd, the maintenance contractor, would take on the risks tied to the community housing provider's role within the partnership and the latter actually sits under a subcontract with the former. Good relations and collaborative practice have been able to accommodate this, but it raises the issue of the relative power one party or parties within the overall partnership structure might hold.

Outside Bonnyrigg discussions, a number of interviewees also noted the inevitable weight carried by the finance partner in cross-sectoral partnerships. Arranging necessary debt and equity finance arrangements is a challenge given the relative lack of maturity of affordable housing and renewal as an asset class, and the ability to structure that finance given the long-term tie-in represented by NRAS is especially so (see Section 4.2.2. below). Getting the finance to work also signifies make or break in terms of project viability, but there were concerns raised that this translated into a disproportionate share of reward within partnership arrangements. One interviewee noted that while it is fundamental to any project, assembling finance was, after all, 'what bankers do'. The presence of structured finance arrangements within the partnership also dictates broader requirements of the deal struck. Some aspects are more flexible than others; meeting expectations and returns required by the market are less so and ultimately define the bottom line.

4.2.2 Risk considerations shaping financing arrangements

For raising finance for what is required to make NRAS work—very, very, different kettle of fish. [There's] no finance is available in Australia at this point in time for any of those projects other than those who might be working with developers for development finance, who are then reselling them into the retail market through the Mum and Dad investors with the Defence Housing type model. (interview)

It's all contractual with the models [for NRAS] that are being put forward ... as time goes on and you are getting into much more highly leveraged financial situations, then yes, there is a need to enter into different forms of partnership. (interview)

Getting the finance to work for residential rental development—and marrying up long-term investment funds looking for sure-but-steady growth with affordable housing provision in particular—is a longstanding challenge (Lawson et al. 2010). This is especially so at the current time as access to finance remains difficult, with banks seeking to repair their capital ratios and redress overexposure to the residential market. As the range of frameworks being explored in the context of NRAS attest, the absence of off-the-shelf models combined with the degree of innovation required raises a high degree of risk that needs to be understood, managed and allocated:

Here we are sitting on a model which ... looks totally out of place in the community housing sector. The majority of its members are private sector entities. It has a very small, highly skilled board that has got very limited community housing experience at all—government experience, private sector experience and one person with community housing experience. You've got a structure that says the consortium's income stream is \$X a week per dwelling—how is that going to get you anywhere? Well it gets you a long way if you've managed to properly allocate the different risk to other parties who are getting a bigger reward out of it and if you're focused on the volume. (interview)

Others are more sanguine. A principal challenge associated with attracting private finance rests in providing a degree of certainty. In the context of NRAS, the appeal of 10 years of subsidy tied with the likely ongoing high demand for affordable rental stock needs to be balanced by the length of tie-in, restrictions on the use of the property and who it can be rented to, uncertainty at the end of the ten-year period, and lack of definitive guarantee of rental return over the period when that investment is tied in:

There are a lot of ... restrictions on use. What are they trying to achieve? They want to build homes that they can provide the housing to specific groups. So

the first thing is you don't have a choice who's going to take this, and that may be OK, but there's a lot of risk with that. Ultimately the investor wants to know if they can make a return—capital gain as well because the rent return is not enough. But the fact that there is a restricted use makes the ability to sell the asset for true market value or equivalent market value very difficult ... You're taking all that risk and it's not properly priced in. (interview)

In seeking to mitigate such concerns, a number of community housing organisations are exploring options to offer a form of rental guarantee as per the DHA model. However, without the effective guarantee of a large Commonwealth Department (as the DHA enjoys), this represents significant risk. A major component of a number of partnership models being explored—as with any property development—is to make sure that what gets built or acquired, and where properties are located, provides a robust basis for capital gain. Given the unpredictability of housing markets, dwelling price increases over time are the hardest component to factor into financial models and the hardest risk to price, but it is often the prospect of solid growth over the long-term that improves the attractiveness of investing in the residential sector (this certainly helps underpin much of the rationale behind individual Mum and Dad investors, see Seelig et al. 2009). Here, the real estate and property development skills of many of 'facilitators' identified earlier play a key role, bringing together an understanding of the market, what built form and product offer is appropriate in which contexts, and the financing structures needed to make it work.

Providence Housing's investment strategy (Table 2) has a clear focus on seeking out investment opportunities in medium- to high-density developments in areas with good connectivity and demonstrated need. These market characteristics accord well with NRAS guidelines. However, the need for developments to be viable and attractive not only under NRAS conditions but also to offer a good property investment at the end of the subsidy period, points to the risk that investor interest will focus on some but not all areas where affordable rental provision is deeply needed. As a result, ensuring potential financial risks are mitigated may result in less than optimal outcomes from a policy and community perspective.

Table 2: Providence Housing Investment Trust 5–10 year strategy

<i>Core</i>	<i>Enhanced</i>	<i>Strategic</i>
→ Transit city	→ Regional	→ Urban renewal
→ Inner city	→ Outer metro	→ Mixed public/private housing developments
→ Strong public transport links	→ Student accommodation	→ Strategic alignment with other state government housing programs
→ Mid- to high-rise	→ Seniors accommodation	
→ Close to retail and recreation facilities	→ Single level	
	→ Strong initial cash yields	

Source: Providence Housing (2010, reproduced from p.22)

4.2.3 *Managing risks tied to mixed tenure communities*

Comprehensive estate renewal activity has typically focused on introducing a more diverse tenure and income profile to reduce stigma and reconnect areas of locational disadvantage (Ruming et al. 2004). From a social perspective, the benefits of such models are largely assumed rather than robustly evidenced. From a financial perspective, restructuring based on introduction of property for private sale or rent, typically facilitated through the redesign and densification of the site, helps contribute to the economic viability of schemes. Introducing income mix into schemes also assists in contributing a more secure revenue stream for providers and investors.

However, both design and ongoing management issues tied to mixed-tenure development carry risks for partnerships, particularly so where rehousing existing communities is part of the package. Two aspects were highlighted by our interviewees. The first relates to staging redevelopment and rehousing existing communities efficiently as well as reconnecting the locality to the broader housing market over time. The second, tied to the first, reflects the increased expectations placed upon tenancy managers to not only focus on social housing tenant and asset issues, but to take a broader 'place' and whole-of-community approach as the profile of the neighbourhood shifts.

Staging redevelopment

The staging of redevelopment activity on large estates is shaped by social and practical, as well as economic imperatives. The redevelopment in Bonnyrigg will be gradual, and will roll out in eighteen stages over 15 years. In each stage, a different precinct in the estate will be redeveloped, including the temporary decant of tenants living in the area until their new homes are developed. The explicit goals of the staging process are social in their essence: limiting the impacts of redevelopment activity on the local community, and allowing neighbours to remain living close by after being rehoused (Newleaf Communities 2009). But the staging plan is also fundamental in guiding the overall master plan, the timeframe for renewal and structuring and packaging up the finance.

Although over 1500 properties for private sale are to be built across the lifetime of the project, obviously not all properties are to be introduced to the market at the same time. Given an understanding of the local housing market alongside the need to manage the decant process, the developer (Becton) estimated that a feasible monthly sales rate, and this helped determine a guiding timeline and informed staging arrangements in terms of size and scale. This staged approach also spreads sales risk across market cycles and the lessons learned from each stage can also inform the financial planning of the next stage. Furthermore, each redevelopment stage has its own debt facility, providing a range of risk profiles around which the overall financing arrangements can be structured.

In practice, each stage is only completed once a list of conditions has been fulfilled. Only then will a start date be specified for the next stage (NSW Department of Housing 2007b, p.32). Hence, demolition and reconstruction of a new precinct may be delayed until a certain level of performance has been achieved (e.g. at least 50% of the private dwellings in that stage are complete and available for occupation). This helps disperse and minimise the financial and operational risks each partner holds at any given stage.

Tenancy management

We've got a very clear objective that we need to have Bonnyrigg looking and presenting differently to how it was three years ago if we're going to be successful in our sales. To do that we've got to take ownership of the place. (interview)

What they didn't do at Carlton was they didn't bring in a community housing provider to actually manage those risks. So the developer's response was to ... say well we won't give you salt and pepper.⁷ (interview)

⁷ 'Salt and pepper' refers to terminology used in tenure mix debates regarding the relative dispersal of social and affordable housing stock within a redeveloped area rather than clumped, isolated or clearly distinguishable from private sector stock. The interviewee refers to Carlton, an inner city neighbourhood in Melbourne, where public sector housing is currently being redeveloped.

Tenancy management arrangements can heighten risk to developer involvement in mixed-tenure renewal. In terms of ensuring that the project rolls out as expected, returns from private sales tied to the redevelopment process need to achieve targets and expectations. To a degree, success will be dependent upon the performance of those responsible for property maintenance and tenant management. Risks can be both immediate and more long-term. Poor management of rented housing stock may present an instantly damaging visual impression, as does unresponsive maintenance of shared open spaces and prevalence of graffiti and vandalism. Over time, if structures are not in place which can help foster a shared sense of community between public and private residents, outcomes of the renewal process may be undermined. As discussed in the next chapter, a shared interest within the partnership based upon place-making and place management is central to this goal.

4.2.4 Negotiating risks over time: certainty versus flexibility in partner agreements

Successful partnerships draw upon both formal and informal relationships. While some partnerships may seem more informal and less adversarial than others, there is a need within any arrangement for certainty and clarity of roles and responsibilities. In this section, we reflect on a range of views presented by our interviewees to the issue of structuring and managing partnership arrangements where complex community issues are central to the aims and outcomes of that collaboration. The form and nature of the partnership will necessarily influence the degree to which ongoing policy interest and changing perspectives of constituent partners can be accommodated over the lifetime of a project or program, which in the case of comprehensive urban renewal may extend 20–30 years.

The need for flexibility

By definition, the renewal of a 'living community' has to be flexible ... On the other hand, a PPP, by definition, is all about structured finance, that there will be fixed in and locked in cash flows to service fixed in and locked in debt structures, which have fixed in and locked in payment structures. That might get you the most efficient finance, but in no way gives you the capacity to get the very best outcome of a renewal ... You can't change designs too much, you can't do this, you can't do that, because you have got to meet this locked in cash flow for 13 or 14 years. (interview)

Housing and urban renewal PPP/PFIs share, at heart, the same architecture of all highly structured partnership arrangements. They involve long-term contracts—often for decades—which can ensure steady income flows and a solid return for investment for private partners and investors (Akintoye & Beck 2009). Arrangements with finance fully embedded within the partnership structure inevitably have a reduced degree of flexibility. Long-term projects will have layers of debt, reflecting different levels of risk and terms, that need to be paid off at fixed milestones through the life of the project. This makes it harder to make changes unilaterally: you can rework aspects of the project but it is rather difficult to change the 'numbers' upon which the scheme is funded.

Concerns regarding inflexibility often focus on the complex nature of large-scale housing and urban programs, particularly where community renewal objectives are involved. Although broad objectives of best-for-project and of creating 'socially mixed', 'sustainable communities' can offer a sufficiently broad framework to guide activity, these objectives 20–30 years down the track at the end of the contract are likely to manifest themselves in ways different from those initially planned. If one considers that housing solutions from little more than a similar timeframe ago (such as the low density, Radburn layouts of Minto and Bonnyrigg public housing estates) are now

those that provide the focus for renewal activity, the extent to which we can ‘lock in’ our best-for-place vision for 30 years hence is hard to envisage.

- Neighbourhoods and their communities will pass through two generations of changing household needs, expectations and aspirations.
- We are likely to pass through 3–4 economic and housing market cycles. Labour market and income patterns, housing affordability, and access to both social housing and mortgage finance all look very different now than 30 years ago.
- Policy settings and governance structures will change, political leadership and support will come and go, funding levels will do up and down, and the availability of finance and willingness to invest will do likewise.
- As projects progress, the success or otherwise of earlier stages will feed back into policy thinking, and may instigate the need for future stages to be restructured.

Voices of caution regarding the need for flexibility within partnership arrangements were particularly prevalent among interviewees with insight into recent UK experience, where substantive partnership arrangements in housing and urban renewal projects have faced the impacts of the GFC and economic recession. The strong decline in market conditions highlights the extent to which conditions can rapidly change and undermine the original rationale alongside the finance frameworks which underpin partnership activity.

In the context of the Housing Market Renewal program⁸, a number of our UK interviewees—all of whom had been involved in the initiative from its inception—highlighted the need for flexibility and suggested that responding to the shifts seen would have been more problematic within the rigidity of PPP/PFI arrangements. As one noted, while the broad objective of the program remained relevant despite the recession and collapse of the housing market, how you get there, and what it looks like, need to be able to respond to these changing circumstances. For example, original objectives of increasing homeownership options have become less appropriate and realistic, and an increased emphasis on social and affordable housing provision may become a more appropriate pathway at this time in the journey toward the broader long-term goals for the communities and neighbourhoods concerned. Similarly, reduced availability of private sector financing may necessitate the public sector stepping in with further subsidy as gap funding in order to keep projects alive or kick-start those stalled by the changed conditions. Under more flexible frameworks, this renegotiation of risk and reward profiles—for example, if the public sector were to take more upfront risk, then the relative allocation of benefits downstream is reworked to reflect this – is arguably more feasible

Or does certainty empower best-for-place decision-making?

There’s a pretty pragmatic approach across government and the partnership that says because it isn’t dealing with inanimate objects, you’re dealing with good outcomes for people. That tends to be the thinking rather than ‘no we can’t do any changes here. (interview)

Many of the perceived rigidities tied to a PPP/PFI approach are common to any contractual arrangement, and when substantive shifts take place, then renegotiation and variation is likely to be costly whatever the framework in place. Equally, having

⁸ The Housing Market Renewal (HMR) program was established in 2002 to rebuild housing markets and communities in parts of the North and Midlands of England where demand for housing was relatively weak and where significant declines in population had been experienced. At the outset it was recognised that the required approach needed to reach ‘beyond individual [local] authorities and required long-term, subregional engagement and funding’ (Audit Commission, 2009a, p. 4). In 2002, nine market areas – all cutting across local authority boundaries – were identified and ‘Pathfinders’ designated.

well-defined structures guiding the partnership does not preclude mechanisms that enable a mature response to changing circumstances. Our interviews with Housing NSW and Bonnyrigg Partnerships both identified the approach taken when changes to original intentions or proposals have been required as sensible and pragmatic. Where amendments can be seen to be best-for-project, best-for-place—and understood and shared across all parties—then a degree of flexibility can be accommodated. In this context, the contract forms the basis of a long-term relationship within which trust builds. Arrangements at Bonnyrigg also require approval of annual plans submitted by the partnership, which allows shifting circumstances to be accommodated and if appropriate, negotiated upon.

Community development or social programs on the ground are, by their very nature, dynamic and flexible but we've got to sign off on a plan. We're got to sign off on a contract. How do we do that ... which assumes that everything is fixed from the start for 30 years? We came up with this process of where we'll approve annual plans so you can interpret the plan every year. (interview)

Although the degree of 'fix' implied in a PPP risks being unresponsive to shifting market and community dynamics, a number of interviewees suggested that in fact the structures imposed helped ring-fence original aims of the project. The disjuncture between the time it may take to facilitate renewal ('regeneration takes a generation') rarely accords with the timeframes of policy-driven initiatives seeking to address those issues. Changing priorities, governments and budgets mean that even well-funded and well-supported initiatives fail to reach their intended outcomes and do not undertake all that was intended. Where the public sector retains determination of funding outside a structured arrangement, there is a continual risk, given unwillingness to commit funds over the long term, and the perpetual threat of reallocation, reduction or withdrawal.

It does provide a good foundation bedrock to help all the organisations in charting their course ... Because it's there, it's solid, it's being used, so certainly from a community development point of view it's unheard of. It just doesn't happen. You get triennial funding if you're lucky. (interview)

PFI does ensure that this money is out of the reach of the local authority, and requires the private sector to maintain these assets throughout their entire life. That's one of the unsung heroes of the PFI process. First you make sure the asset is good in the first place and second you ensure that future generations will also benefit. (interview)

The certainty of a PPP ties in funds for the lifetime of the project, and arguably provides a basis from which dialogue between partners, communities and all stakeholders involved can progress meaningfully *because* of that certainty.

4.3 Working together: building cooperation

There is a big question mark over the degree of genuine partnership that is the norm in many partnerships. The conceptual frameworks and language of relational contracting and partnering may often be used in such arrangements, but the actual relationships appear often to reflect traditional transactional or even confrontational contracting (Bovaird & Tizard 2009, p.235).

Although partnership arrangements are framed by contractual obligations, there is typically a strong expectation from all parties involved that working within more collaborative structures provides a number of advantages. The partnership structures put in place—whether in a JV, Alliance, consortium or PPP/PFI—are seeking to extract value from working together in more cooperative ways. In this section, we highlight three areas tied to the realities of partnership working as a project unfolds

and the strategies used to facilitate the implementation of partnership activities and responsibilities.

- The first highlights the positive reflections many interviewees expressed regarding their experiences of partnership working, particularly in establishing meaningful trust and communication between parties.
- The second considers the importance of establishing distance from respective parent organisations through creating a distinct entity as a means of taking ownership of the project and providing one voice across the constituent parties.
- Finally, a number of interviewees discussed the impacts that partnership working can have in terms of organisational culture, values and practice more generally.

4.3.1 *Working in a partnership team*

Can I say what's really nice is that people don't stick to their silos. There is respect for people ... a willingness to listen to people, even when they're not exactly in their territory. (interview)

[It's] about understanding all the other people's footprints, if you like, so that you can actually put your head up and see when it's OK to ask a question. (interview)

[It's about] recognising the incredible amount of knowledge and expertise around the table, and trusting that, and knowing that if I throw the ball it's going to get caught and vice versa. That takes a little while if you're in a group of people who get together, and I think we do pretty well on that. (interview)

As previously mentioned, partnership working often brings together a diverse range of individuals, with different organisational backgrounds, work cultures and perspectives. All have a key role to play—hence the partnership—and come together under the shared task of delivering best-for-project outcomes. However, they also carry the expectations and 'way of doing things' from their respective sectors, and getting the partnership to function in a way that maximises the investment being committed by each party through taking a collaborative approach is hard-fought and won.

Ensuring effective governance structures, within which decisions get discussed and made, are in place is crucial to project success. This is certainly not unique to the housing and urban policy context. However, given the often complex amalgamation of financial and developer interests, relatively small not-for-profits and communities themselves, then the need for leaders who can see the bigger picture and translate interests across constituent parties is especially important. In such circumstances, trust among parties comes to the fore, but also faith that as problems arise which need to be addressed, there is confidence that as a team it will be resolved in a collaborative rather than adversarial way. For example, the time it takes to get a development application is unpredictable, and will have significant effects on the whole development process. Where a degree of trust between partners has been established, it becomes possible to negotiate trade-offs and partners may be willing to step in and carry the risks of another when an unforeseen issue arises.

Where partnership activities do not sit under the broader governance arrangements of one of the parent organisations, support in the form of an independent board is often a central feature. A number of our interviewees also stressed the value of having an external auditor having oversight of program activity and outcomes. For example, the Actus Lend Lease team noted the assurance and support provided through being subject to Congressional and Department of Defence oversight in the US for the MHP. This has provided an important challenge function, where all decisions by the

partnership are made in the knowledge that they will be subject to scrutiny and comment.

4.3.2 *Partnership entities and brands*

If you're just using prevailing systems and cultures [a partnership] can be quite difficult to get off the ground. You actually need a fresh approach. (interview)

Organisational identity, and how this is used, plays a vital role in the development and operation of a partnership. The challenge rests in maintaining the distinctive offer provided by each of those different organisations and agencies that underpin their rationale for coming together to deliver a shared outcome on the one hand, but also taking ownership around those outcomes as a collective entity on the other. A common strategy used to address such risks, as well as to ensure that the partnership is defined through its collective shared outcomes, is to create a distinct entity and brand. This can be seen across many partnership models, for example the establishment of a special-purpose vehicle in joint venturing agreements, or the typical structures which evolve around an Alliance Leadership Team, drawn from all partners and focused at the project level. A level of disassociation with their respective parent organisations is also facilitated through teams working physically together. Having the partnership located on site can be vital in terms of taking ownership, being part of the outcomes tied to the shared vision and best-for-project philosophy driving their involvement, and of course credibility in the neighbourhoods and communities where the project is being undertaken.

The structures put in place in Kensington and Bonnyrigg differ in their approach but both have established a distinct entity, reinforced by branding, as a means of strengthening both internal coordination and facilitating external-facing roles. In Kensington, the original approach agreed between the developer and the Victorian Government Office of Housing (OoH) involved the co-funding of a tenancy management system as a means of addressing concerns tied to private sales risk.

From a purely commercial point of view, Becton were thinking—'if I'm going to sell an apartment on this land, and there's that big tower there, there's a sales risk issue for me. So to mitigate the sales risk, they said: 'Ok, we'll have a private company managing it over here because we're not comfortable with the state managed system. (interview)

The initial partnership faced challenges in terms of the organisational clash between business-oriented teams from the private sector and those put in place by the OoH. One of our interviewees also noted that the partnership had been set up in such a way that made it difficult to address the social issues faced by the community. In 2006, the structure was transformed through a collaborative venture between OoH and Becton and the creation of 'Urban Communities'. As a separate third party, Urban Communities is owned by neither and can engage independently with both. It is a 'company limited by guarantee' with a charitable non-profit status. As well as providing appropriate legal arrangements to take on the combined task of public and private sector management, a refocus of their role on the community as a whole rather than based on tenure divisions (see Section 4.2.3) meant that the actual demands of internal partnership working could be addressed.

There was no structure like us that could talk about tenancy management and to talk like real estate agents about private rental. That was a market gap. And that's how we pitched it to the Government and to Becton. And they said yes, ok, we'll enter into it. So effectively we built half a real estate agency and half a social housing structure, and immersed them together under a not-for-profit framework ...

When you bring non-profits and for-profits together, there's such a big cultural difference between these worlds, it's very hard for them to interface. They're driven differently, structured differently. So we tried to create a vehicle that could interface with both ...

Visualise trying to recruit for a job here! The way to overcome it is the more the organisation is clear about its strategies, the easier it is to recruit for it ... Each part of our organisation had to go through a transition from a traditional sector role to play in this new space. (interview)

In Bonnyrigg, Bonnyrigg Partnerships Ltd represents the interests of its constituent parties. Establishing a face within the community and taking ownership of the project needed to be encouraged from early on, especially given the transition hand-over period when members of the incoming partnership team and outgoing Housing NSW staff were co-located on site. There was a need to signify change, and to do so by presenting a collective, single point of contact. As one of our interviewees suggested, 'Newleaf Communities'⁹ offers a whole-of-neighbourhood cross-tenure brand. While it provides a marketing device for private sales, the brand also reaches across all renewal and community engagement activity.

The branding was particularly to tie all of those services back to development, to make sure that the development was seen more than just bricks and mortar, but a whole approach to community ... We didn't want it to be called Bonnyrigg Management for the rest of its day, because it sends out too much of a corporate message, whereas Newleaf, it's all part of the same family ... everyone's being managed in a fair and equal manner. (interview)

Although Becton lead development for private house sales and St George on tenancy management issues, tenants and new purchasers alike are accommodated under the same umbrella. Establishing a new separate entity therefore serves a number of important roles in principle. First, it provides distance from parent organisations to retain appropriate associations, but with space to innovate and be guided by shared values within the partnership directly focused on the project. Second, it provides a better basis for equal input—a recognition that no one partner 'leads' the others, but all are an integral part of a new structure. Third, it helps communicate the role and rationale for the partnership and signifies a shift in approach and new way of doing things that would not have been feasible within the constraints of existing frameworks. In the case of Urban Communities and Newleaf Communities, organisational identity and branding accommodate both public and private tenure concerns.

4.3.3 Transforming organisation and sector practice

When we started ... [they] were scared of a house that actually had a person in it. They're Greenfield developers and they were really scared of doing developments in between other houses ... in the first year no one spoke the same language at all ... After a couple of years they got their head right around all the social housing issues and the housing guys got their mind right around the commercial residential development issues and we developed a practical, friendly division of work [and] respect for each other's talents. (interview)

[Partnership working] helps because not-for-profits are increasingly now expected to understand the business hat, and put that on from time to time, so I think actually, it's kind of timely. (interview)

⁹ Newleaf Communities is a branding tool for marketing purposes. It is not a different or separate entity.

The previous section points toward the potential benefits of establishing a special entity around which partnership activity is structured. The impact on organisational culture and work practices of all parties involved can also be noted. This can be seen as the 'flow back' to the parent organisations in terms of skills and knowledge capacities, but also more broadly to the possible transformative effects such partnership arrangements might lead to in terms of new business opportunities and the reshaping of sectors within which those respective organisations operate. As a number of our interviewees reflected, exposure to different practices and expectations within a partnership environment infuses practice across parties, particularly where working arrangements are concerned.

Shifts in culture and approach may also be borne out of necessity as the nature of the sector shifts, as seen in the steep learning curve for many community housing providers. That this occurs within the collaborative confines of a partnership provides a useful platform for the transfer of skills and capacity. However, it is important not to get carried away regarding the extent to which transformation takes place. Working to a shared vision means that finance partners develop a greater understanding of social issues and people-focused outcomes, but ultimately a bank will enter partnerships on principally commercial grounds, and the normal terms of reference and business models for the respective parties still need to work. Even within highly collaborative arrangements, there is a risk that benefits that may accrue from working together may be unevenly shared, or appropriated by some parties more than others. Certain partners will have greater experience and be better positioned to influence partnership activity (Sullivan & Lowndes 2004; Young 1990) and cross-sectoral partnerships may result in the hidden transfer of wealth to private sector partners (Akintoye & Beck 2009).

Challenges may arise in terms of how shared IP is taken forward either by the partnership itself or by one or more constituent parties. Problems may also arise due to differences in reporting requirements for transparency and policies toward public disclosure and dissemination of information. The levels of upfront resources and risk invested by partners in developing new models means the high degree of protection surrounding that IP is perhaps inevitable, but makes sharing good practice,¹⁰ and helping improve market information for an emerging sector, particularly difficult. In this regard, all aspects of innovation—even the non-commercial aspects—will be intricately tied to the commercial imperatives underpinning the project approach.

Potentially, more transformative effects are those that start to infuse broader practice both within sectors and through stimulating cross-sectoral activity. There are two elements here. The first relates to the impact of partnership working on building better and broader understanding and respect between different professions. A number of interviewees suggested that partnership working provided a basis for understanding what other professions and trades within the project design and delivery team 'actually do'. The second relates to the identification of new market opportunities, where increasingly non-government partners—whether from the not-for-profit or private sectors—see partnership working as a viable and attractive activity within their business plans. For example in the UK, Urban Splash has established a market niche as a leader in urban regeneration, working in a range of partnership arrangements to deliver homes across the tenure divide in establishing mixed communities. Clear policy signals are required to foster opportunities that enable companies and organisations to respond. As one of our interviewees noted:

¹⁰ Given IP concerns tied up with innovative models, researchers often find it extremely difficult to access information about the workings of such partnerships, particularly their finances (English 2005; Shaoul 2005).

Companies follow markets. And in the UK, the initial process—the creation of social landlords, the generation of capital through the Decent Homes Standard legislation—created the market. Then the contractors sit in the boardrooms and say ‘this is going to be a growth area, we want to tap in that’. In the absence of that market, the skills that don’t exist won’t be created. (interview)

Claims regarding potential innovation through partnership working are a pervasive element for proponents of such arrangements. Indeed—and while we again acknowledge that we spoke to those who have been involved and are involved in trying to make these things work—many of our interviewees reflected on the genuine benefits associated with their experience of working together. This does not necessarily equate to collaboration always being straightforward or without conflict within the sometimes competing objectives of each of their independent entities.

4.4 Summary

I think what makes this work is that even though the relationship diagram for the different components of the partnership contract look like spaghetti on a page, and the contract is in language and legalese that’s almost impossible to digest ... what the contract means, really ... [is that] each organisation has a different kind of value that they bring. The vision and the outcome is something that we always come back to. (interview)

Partnership working comprises a myriad different combinations and permutations, driven by an equally varied number of aims, objectives, opportunities and constraints. Given the inclusive nature of the research approach, these discussions intentionally cut across different forms of partnership with different goals.

Many of the core features underpinning partnership effectiveness—the importance of communication and trust; approaches based on best-for-project outcomes; the considered allocation of risks and responsibilities; and a balance between certainty and flexibility in terms of project delivery—are essentially universal, regardless of whether interviewees were describing such facets in the context of traditional contracting, Alliances, Joint Ventures or PPP/PFI arrangement. They also hold whether in the context of constructing a sewage outfall pipe, new hospital, toll road, or in a partnership tasked with renewing a housing estate.

However, we have been particularly interested in exploring with our interviewees the extent to which partnership approaches in the housing and urban renewal sector raise issues (between sectors, between constituent parties in partnerships) that may be considered distinct, either in degree or kind, *vis-à-vis* other types of project or initiative. There are a number of factors arising in this regard, particularly focused around the importance of context and community and, in the case of comprehensive urban renewal, the timeframes involved. These arguably more specific challenges and opportunities—shaped by an accentuated role and relevance of place, community and wider strategic considerations in the case of housing activity—provide the focus of Chapter 5.

Table 3: Summary

<i>Foundations for a collaborative approach</i>
<ul style="list-style-type: none">→ Partnership working represents significant effort and investment and needs to be logical, sensible and in simple terms, to make sense to all. Appropriate structures for collaboration should emerge through a response to the brief and the outcomes required rather than be imposed. In the housing and urban context, the need to deliver social and community outcomes (introducing particular risks) adds to the importance of getting the partnership approach right from the outset.→ Housing partnerships can bring a banker, charitable trust worker and maintenance specialist around a small table. In building relationships, a shared language and evidence base within the partnership offers the basis for a shared vision tied to project outcomes.→ Working across constituent parties' different areas of expertise, business expectations and requirements during the initial stages of partnership formation, 'facilitators', often drawing upon longstanding involvement and expertise in the housing and property development sector, are playing an important advisory, coordination and developmental role.
<i>Optimal allocation of risk and managing risks over time</i>
<ul style="list-style-type: none">→ Effective partnership working is predicated on an optimal allocation of risk between parties. Ideally each partner assumes those risks that they are best placed to manage and those responsibilities from which they can make most benefit. This can present difficulties given often quite different capacities between parties to carry that risk.→ Built form and community outcomes in housing and renewal initiatives ensure that the risk allocation process manifests itself spatially. Partnership structures that take a whole-of-community approach – for example taking a place-based approach to both tenancy and new sales activity – can provide a means of mitigating those risks.→ The question of certainty in highly structured partnerships such as PPP/PFIs versus the need for flexibility in complex, long-term programs involving community outcomes led to a mix of opinions. For some, this 'fix' at the outset restricts the ability to respond to shifting social, economic and policy contexts over time. Others noted that this long-term certainty provides the basis on which those changes can be assessed against best-for-project outcomes. It can act to ring-fence-funding and offer insulation from shifting funding priorities.
<i>Working together: building cooperation</i>
<ul style="list-style-type: none">→ There is often a learning curve to partnership working, particularly where different sectors with different motivations (from commercial returns and developer margins to people-based outcomes) come together to share responsibility for delivery of a project or program. This places a strong emphasis on leadership and wider governance arrangements.→ Housing and urban partnerships often establish separate entities, or brands, to gain legitimacy around their shared vision and provide a coherent entity for staff as well as the communities within which the partnership operates and serves.→ Partnership working can also transform wider organisation and sector practice. It leads to a better understanding of partners' respective roles in the design and delivery of the project as a whole. Such arrangements have the potential to demonstrate the viability of affordable housing and urban renewal activity as a viable investment class and development sector.

5 THE SPACES OF PARTNERSHIP WORKING

The beauty in a sense of the Bonnyrigg example is that all of those partners are focused on place and on the best interests of the project. They're obliged to be. (interview)

In Bonnyrigg and Kensington it wasn't just about putting public houses next to private houses. It was a lot more than that, it was regenerating an area. (interview)

In Chapter 4, we explored key issues arising in partnership working, focusing on creating, negotiating and operation of those relationships. Although our interest was primarily upon the manifestation and activities of partnerships in terms of their organisational structures and working practices, the importance of spatial considerations, and particularly the roles of place and community in shaping the rationale and operation of partnership working, often comes through in those discussions. For example, understanding allocation of risk in terms of tenure mix is inherently tied to the design of renewed or redeveloped built form.

The nature of reconfigured space will impact on the risk and reward balance; conversely, the significance of context and place within which new development or renewal takes place demonstrates the 'spatiality' of risk. Furthermore, it is a spatial focus, and an understanding of all the drivers shaping place over time, that provides a basis for partnership working: the diverse business interests and skills are reconciled and their collaboration needs to make sense in the context of place, but also in the wider spatial policy frameworks within which they sit. While all major infrastructure projects will impact on built form, housing's role as the glue that ties communities and neighbourhoods together arguably accentuates the challenges, but also opportunities and appropriateness of partnership working.

In exploring the role that space plays in partnership working, this chapter discusses the significance of context, place and the wider strategic frameworks within which partnerships operate and in which the transparency and accountability of those operations are understood.

Our first section, *context*, highlights the importance of understanding the landscape within which partnerships come together. The objectives of partnership working are often defined in spatial terms, and relationships are often shaped by territorial relationships between the parties involved. 'Local' cooperation builds upon a shared understanding of local context and conditions, for example housing market conditions, planning frameworks and political considerations. We then consider the importance of *place* in defining a shared and coherent focus of partnership activity and the geography within which the outcomes of that activity will manifest. A focus on place, and on 'place-making' acknowledges the integral role of residents and other stakeholders, and the value of partnerships in driving an integrated, whole-of-community approach.

Finally, we consider the role and significance of *wider strategic frameworks*, noting that project-based arrangements are tied to broader economic, market and policy considerations operating across a range of geographies. These broader frameworks are vital for both place-based partnership activity but also partnerships operating across multiple sites with a wider spatial reach. In the case of place-based activity, it is argued that this needs to be 'outward-facing' rather than 'inward-looking' (Hall 1997). This is cognisant of the fact that the causes of decline and disadvantage typically arise from drivers beyond the boundaries of estates or neighbourhoods and that outcomes need to be appropriate and viable within the wider strategic context. The importance of strategic clarity and support at this broader spatial scale is equally

relevant to the investment decisions of partnerships active across a more diverse geography. Organisations need to know where they sit, and how they are contributing to the broader picture.

5.1 Context

Geography matters (Massey 1984). In this section, we focus on the importance of context in shaping partnership formation, approach and outcomes. First, the common sense observation that proximity, local knowledge and existing relationships offer an important basis for partnership working, is nonetheless worth emphasising in the context of housing and urban policy delivery. Community housing providers typically have a geographically defined 'turf',¹¹ and area or place-based renewal initiatives are, by definition, tied to the locality. Second, we consider the need for housing and urban initiatives to be cognisant of the contexts in which those policies and programs are delivered on the ground. This demands recognition not only that drivers shaping requirements and responses will vary between submarkets and regions, but also that the viability and appropriateness of those policies to be delivered in different locations will reflect varied capacity and composition of partners in those areas.

5.1.1 Partnerships and proximity

Project scale affects its level of complexity, and the levels of interdependence between the partners. In centralised countries such as the UK, the tendency until the 1990s was toward partnerships working across a large geographic area, formed around functional divisions of the economy (Healey 1997). In the 1990s, a shift occurred toward cross-sectoral local alliances, involving councils and non-government partners (Osbourne & McLaughlin 2004). In localised projects, some partners may be tied into social networks beyond the partnership itself and more likely to develop shared understandings and trust in ways that influence the partnership's character and their position within it (Gulati 1998).

Individuals and organisations operating on a local scale are more likely to be tied in what are sometimes termed 'thick' institutional relationships (Amin & Thrift 1995), 'local dependence' (Cox 1993), or tight 'policy networks' (Rhodes 1990). One implication is that high levels of partner interdependence mean that coordination is more complex. Each initiative taken by one of the partners forces the others to readjust their own strategies, and coordination costs are consequently higher for all involved (Gulati & Singh 1998, p.785). Nevertheless, partnerships do often focus on a local scale because their very aim is implementation of policies and delivery of public services in specific locations. Harding (1998, p.75) notes, 'it is with regard to implementation, more than any other stage of the policy process, that the limitations of single partners are most obvious and the formal pooling of capacities and resources is most critical'.

In our discussions with one of the NSW community housing growth providers, the importance of longstanding relationships with other local stakeholders was emphasised. For example, a close relationship with local government is particularly important. In some LGAs there are some groups of local residents who present vocal opposition to development of affordable housing. As a consequence, there may be greater reluctance to approve DAs for such initiatives. Even though the appeal process for the DA in a higher tier of government is more likely to be successful, financiers and developers are aware that the whole process may cause significant delays in construction and a substantial financial risk. Good relationships between the

¹¹ Although the areas of operation of community housing providers are not mutually exclusive. Greater heterogeneity with a number of providers operating across shared geographies will increase as the sector continues to grow.

partnership or some of its members and local planners or elected officials may help reduce these risks and the developers' concerns.

As a result, the organisation focuses activity on a relatively confined local area because this allows the organisation to know its client base and the local housing market context better. Different submarkets in Sydney are structured by households exhibiting different income profiles and other socioeconomic factors. Local knowledge and experience helps community housing organisations better service the needs of their tenants but also develop better capacities and market understanding to best meet those needs and demands characteristics as they grow.

5.1.2 It's also about 'sticks and bricks'

The need to understand the different contexts within which partnerships are expected to work was highlighted by a number of interviewees. While there is acknowledgement that different types of partnership arrangements will be appropriate for different types of projects, reflecting different goals and desired outcomes, our discussions highlighted the need to understand and work with differences in how 'things get done' across different geographies. This is perhaps more easily identifiable and accommodated within area-based and place-focused responses, but raises interesting challenges when national or indeed state-level policies are rolled out at a more local level.

At the ACHL NRAS Round Three information day held in March 2010, individual, family and small-scale builders made up the large majority of the audience. This is not surprising: these are the types of developers that have built and rebuilt much of the Australian suburban landscape, particularly in lower-value markets, in recent decades. They know the market intimately, they know how to make it work, and spend much of their time searching out sites where they can make development viable. These small developers will often move from project to project, and depend upon capital tied up in the last one being realised, before they are able to move onto the next.

The need to understand the structure and operation of the development industry, and how it varies across different housing submarkets, was also emphasised by both the interviewees who had worked together on transforming the Defence Housing Australia model back in the mid-1990s. Although the model in itself presents a number of interesting transferable lessons (Phibbs & Hanna 2010), a key observation here is that the framework responds not only to policy aims and finance considerations, but also made sense in terms of implementation and delivery on the ground, and was sufficiently flexible to accommodate the different characteristics of the markets in which housing has been developed. Typically, the size of company on the DHA's developer panel are small family builders with around ten staff, reflective of the scale of the program, the nature of product required, and its focus on building in small clusters or on infill sites in existing areas.

By contrast, one of our interviewees noted that arrangements established for the delivery of housing initiatives within the Nation Building and Jobs Plan were inevitably more top-down in nature. Given the numbers and timeframes involved, implementation required the states to put in place processes structured primarily for ease of program management rather than those that might be more conducive to engaging the network of local builders who have traditionally played an important role in the provision of new housing stock in these suburban markets.

5.2 Place

Area-based approaches where particular areas of opportunity or need in cities receive concentrated attention should be encouraged. The sustained

concentration of resources upon carefully defined areas can make a difference to their economic and social prospects (ODPM 2006, p.240).

The connections between partnership working and place reflect one of the most significant tensions for the delivery of housing and urban policy on a number of levels. While not within the scope of this research to consider in detail the tensions tied to place in tackling issues of concentrated disadvantage, there has been extensive discussion in recent years regarding the role of Area-Based Initiatives (ABI) in terms of their effectiveness and efficiency as vehicles for housing and urban policy (ODPM 2006; Parkinson 1998). This has paralleled academic discussion regarding questions of scale and territoriality (Brenner 2001; 2004; Swyngedouw 1997), 'neighbourhood effects' (Dorling 2001; Atkinson & Kintrea 2001; Maclennan 2000; Smith et al. 2001) and concepts of social/tenure mix and balanced communities (Arthurson 2002; 2008; Atkinson & Wulff 2009; Badcock 1997; Minton 2002; 2009)

There has been crossover between these debates and housing and regeneration policy spheres internationally, for example in the UK in the context of social and spatial exclusion at the neighbourhood level (SEU 2000). A growing recognition of the multiple drivers of disadvantage in terms of housing, health, education and employment that concentrate on and are expressed at the neighbourhood level through the work of the National Strategy for Neighbourhood Renewal (NSNR) and Policy Action Teams (PAT) in the UK, which identified the need for joined-up thinking both across government and across all stakeholders on the ground in these areas. The need for partnership working therefore cut across and sought to integrate policy areas as well as providing a means of working through issues and possible solutions at the local level, with communities themselves part of that partnership process. As Maclennan (2000) noted at the time, the neighbourhood was put 'at the centre of policy thinking'.

In Australia, renewal projects have, although delivered through different partnership vehicles, shared a common objective to reduce concentrations of public housing and the (re)introduction of the private housing market into localities. Under the auspices of tenure mix, the theory suggests that increased social mix creates positive neighbourhood effects. The benefits of mix also underpin partnership funding arrangements, with funds from the sale of private dwellings on site used to help underpin the costs for social housing renewal or redevelopment. This often results in significant changes in density and the social fabric of the regenerated area. With a focus on changing both physical and social outcomes in a clearly defined neighbourhood, 'place' and outcomes for the 'place' provide a spatial focus for partnership activity.¹²

In this section, we focus on the role of place in helping determine and shape the rationale for partnership working, and in turn the impact of partnership practices in restructuring places and communities. First, the contrasting experiences of Minto and Bonnyrigg estate renewal activity are considered, with an interest in how community engagement and capacity building were integrated to varying degrees of success within partnership approaches in terms of preparing communities for, and assisting them through, change. Second, we explore an evolving focus from 'place' as the locality for area-based initiatives to consideration of the more strategic role cross-sectoral partnerships can play in place 'making' and ongoing stewardship of the localities within which they are based.

¹² The role of place in joining up broader policy drivers at the local level perhaps remains less explicit in the Australian context at the current time, although recent directions by the Social Inclusion Unit signify an increased interest in understanding and addressing spatial concentrations of disadvantage.

5.2.1 *Partnership with communities: from Minto to Bonnyrigg*

Partnership activities seeking to achieve a series of social outcomes, particularly those embedded within and significantly impacting upon existing communities, clearly need to be accountable to local residents and stakeholders. The locality provides a focus for the partnership process that extends to the communities themselves, forming the basis of a shared articulation of the challenges and opportunities as well as vision. Effective participation and involvement at the planning stages can be seen as a means of improving the quality and legitimacy of decision-making, strengthening existing communities and achieving a more democratic and inclusive form of government (Barnes et al. 2007). In practice, it is often a very complex undertaking, not least because of the range of interests involved and difficulties in achieving consensus.

In the context of housing and urban renewal, further layers of complexity are added by the marginalisation of residents and their level of experience in decision-making processes: in order to respond when asked, there is a need to understand why those questions have been asked and how any answer might be used. As discussed below, the different approaches taken by Housing NSW in the two estates provide insight into the challenges tied to, but also importance of organisational learning arising from, the implementation of significant renewal activity.

The redevelopment of Minto, a 1970s estate in southwest Sydney, was announced in April 2002 and established as a partnership between Housing NSW, Landcom and Campbelltown LGA. Initially, the partnership was primarily concerned with the physical aspects of the redevelopment, and less so with the social implications and the need for community participation in decision-making.¹³ In 2005, Housing NSW embarked on a new approach to the redevelopment, and initiated the Working Together in Minto (WTIM) group, which sought to bring together a range of stakeholders including NGOs and residents' groups. By this time relationships between local residents and Housing NSW had become strained, and re-establishing trust was a major challenge. A gulf had been allowed to develop between what the partnership was thinking on the one hand and community perspectives and concerns on the other. By the time meaningful engagement started to take place through WTIM, the renewal process was seen more in terms of the destruction rather than renewal of place:

They essentially asked why I was here. I said I've been asked to write a community renewal plan for Minto and they all hit the roof, you know, how could you be doing that? You're not renewing our community, you're destroying it. All of that angst came straight to the surface. (interview)

WTIM took some time to establish and to scope its role, developing a series of procedures and decision-making frameworks to steer its operation. With a presence on site, a degree of autonomy (but with strategic support as required) from Housing NSW was created, providing a base from which place-based determination could be taken at the local level. Developing those relationships and interaction with the community inevitably took time. One of our interviewees reflected that a key challenge was to establish some clarity and certainty around engagement on all sides of the partnership. In terms of establishing those parameters, there is a role for formality even within relationships where there is a good degree of informal engagement and goodwill. Indeed, lack of clarity or mismanagement of expectation may arise as a result of 'heroic managerialism' or committed staff members involved to make

¹³ A lack of a community participation process was reflected in the fact that some residents were given minimal notice of the intention to demolish their homes, and no master plan was published to inform residents of the future of the estate (Stubbs 2005; Stubbs *et al.* 2005).

personal undertakings—for the right reasons—on the part of their organisations that cannot be met (Hasenfeld 1992; Manzi 2007).

That was one of the great lessons there—that lack of clarity—that led to us being so brutally clear: we want to work in partnership but this is what it means. These are the decisions that we will consult ... these are the areas where we're happy to make some joint decisions and these are the areas where we don't have a view. If you want the government to make a decision they'll make it. If you want to do it jointly, we'll do it jointly. (interview)

Improved engagement also exposed weaknesses in the extent to which the vision and approach was shared between partners. Devolution through WTIM challenged the local LGA's model for managing community services, and indeed differences between the Department and its divisional offices:

The challenge for the division is to continue to manage their responsibilities in that place without really having to conform with a place-specific approach. They tend to want to apply the general rules and principles that they apply everywhere else to all the places in which we're redeveloping. We say tenancy management has to be reconceived in the context of this place. (interview)

The experience at Minto provided important lessons for Housing NSW, not least in terms of bringing together the physical and social aspects of renewal within the context of place and the communities living there. Regarding Bonnyrigg, the Department's approach placed importance on building the evidence base and preparing the community for change. One of the immediate challenges identified if the community was to have its say in the physical redesign of the neighbourhood was that many simply did not have the skills to allow them to fully participate in the urban design process. A capacity-building program through a series of community workshops was set up to provide residents with an understanding of the design process and a set of core skills to participate within it (Judd & Coates 2008).

Evaluation of this engagement activity found that residents felt significantly more prepared for negotiations with the partnership on master planning and housing design issues once the actual plans had been made public. When the plan was put on exhibition, Fairfield Council received forty submissions from residents, including 12 translated from culturally and linguistically diverse (CALD) groups, the first ever received by council (Judd & Coates 2008). Close cooperation between the community and successful tenderer (Bonnyrigg Partnerships) post-tender has been enshrined in the contract, requiring a dedicated on-site team responsible for the delivery of community renewal goals.

Where there is support for renewal, then the partnership might be viewed as a positive force in making things happen. However, where consensus is limited regarding the need for change or the approach to renewal, the very nature of the partnership approach may consolidate perceptions that regeneration is not for the existing community but rather serves the interests of others. Partnerships involving the private sector and working with developers, and particularly where those initiatives aim to introduce mixed income and mixed tenure housing in traditionally lower-value areas, run the risk of being seen as vehicles for state-led gentrification (Hackworth 2007; Allen 2008; Minton 2009).

5.2.2 From area-based initiatives to strategic place-making

The contract exists to ensure that there is a place-based approach more than anything and all the bits tie together. That's, I think, what the contract does. At the end of the day, we do sign off on plans, but really ... the essence of it is

you've all got to coordinate what you do for the best interests of that place.
(interview)

A community-building strategy. That's the glue. (interview)

In Chapter 4, we discussed how development of a mixed-use scheme impacts on considerations of risk allocation, particularly where the overall viability of the project is predicated on achieving good sales, establishing a housing market, and creating a neighbourhood of choice. Returning to Kensington, Urban Communities has adopted a place-based approach as the core of its strategy and operations. As renewal took place and private dwellings were introduced, it was recognised that the best interests of the evolving community and its mix of owner-occupiers, private renters and social housing tenants was to put in place an integrated tenancy management approach. Nearly all the assets in the area are managed by Urban Communities in one way or another: it manages twelve owners' corporations for private property owners; owns about 100 properties itself which are leased out to private renters and manages 370 properties owned by the OoH.

A focus on community building, and the control Urban Communities has over management of homes well as public spaces, allows the organisation to link its different services to achieve better value for money and better outcomes for all residents in the area:

Traditional public housing management is very clear. It's tenancy management under the Residential Tenancies Act. And its facilities management. And it's done separately. In our world we've got a third component called community building. (interview)

Integrating private owner and tenant interests within mixed-tenure communities can be seen as a logical response in seeking to secure the success and viability of the scheme. It also demonstrates the role that partnership working at the local level can play in not only delivering projects but also taking an integral role in the stewardship of place over time. In this regard, there has been a recent reclamation of the terms 'place-making' (see for example Cowans 2010) and 'place-shaping' (HCA 2009) in urban policy from their more common architectural and urban design applications.

Place-making also provides the basis for developing a shared language with the private sector, which has pitched the importance of creating 'places' and 'sustainable communities' as core to both their brand and development outcomes. Cowans (2010) talks about asset management approaches to housing and neighbourhoods which are conducive to, and which demand, new models of partnership working. This would include frameworks that break away from traditional private sector developer 'build-sell-move on' approaches to those that take a longstanding interest in place, for example through financing models that make use of patient equity, drawing on the returns gained by creating and sustaining places over time (Cowans 2010).

5.3 Wider strategic frameworks for partnership working

Effective policy design and governance has to marry local knowledge and capacities to an understanding of wider processes and policy initiatives ... an overall spatial perspective on policy is required, so that neighbourhood, city, regional and national policies are connected and complementary (Maclennan 2004, p.31).

The relative success of partnership working (and the degree to which their objectives, activities and outcomes are considered accountable) will reflect the strength of wider governance structures within which those programs operate as much as their internal organisational characteristics. In large part, this relates to broader institutional settings

and regulatory frameworks in place which offer a degree of certainty and clarity within which partnership activities can be structured and understood. However, as explored here, there is also a vital spatial dimension which frames and shapes policy delivery on the ground, whether specifically place-based or operating across more dispersed geographies.

5.3.1 Spatial perspectives on policy

There is no single optimal level for any policy or specific roles that different levels of government should play in economic development and regeneration, as market failures or policy interventions often impact at different levels, and different levels of government have different advantages and disadvantages which must be balanced against each other (HM Treasury 2007, p.41).

Calls for greater coordination and 'joined-up thinking' across all departments and tiers of government are hardly novel. However, within the context of housing and urban initiatives where the outcomes of activity are played out locally, this is arguably particularly important. Recent programs such as NRAS and HAF instigated in Canberra add to activity led by the state and territory housing authorities, and fragmented interest at the LGA level. The COAG reform agenda provides strategic direction within which initiatives and programs can be aligned, but there remains only limited engagement in recognising the spatial imperatives of those reforms—in terms of their impact at the neighbourhood, subregional and city level—and how these need to be supported to enable more effective delivery. Specific policy initiatives may include a spatial steer—for example NRAS guidelines have pointed toward the type of location favoured (in close proximity to transport centres, in areas of demonstrably affordable housing need)—but otherwise mechanisms beyond local planning systems to join up and think holistically in a given area are limited.

Establishing such spatial policy frameworks is not within the Commonwealth's ambit, although the need for a greater interest to be taken in the strategic planning of our cities was flagged in late 2009 (COAG 2009b). Rather, the spatial coordination of programs and initiatives operating in, and impacting on, particular localities, is necessarily a mix of state and LGA level responsibility. The effectiveness of this relationship will vary between jurisdictions and across cities; however, urban governance structures in Australia tend not to lend themselves well to effective strategic coordination. For example, although changing with the growth of the not-for-profit sector, provision of social and affordable housing has—with the exception of a small number of LGAs—historically been a state-level responsibility. The need for more affordable housing is often presented as a metropolitan or subregional requirement, rather an area of strategic interest at the local level, which means that when proposals for affordable housing are submitted to LGAs, caution in response to NIMBY-ism (not-in-my-backyard) builds complexity into the approvals process.

What has been a problem is that people with interest and commitment to issues of social justice and affordable housing are typically in community planning divisions or social planning divisions and you have to have them in a more senior position to be able to pull the strings to make that happen. (interview)

Further issues of coordination arise where programs and decisions impacting on particular localities are directed primarily at the state level, where risks of discordance with wider LGA strategy or by-passing local frameworks, may come into play. Again the differences seen between the experience in Minto and Bonnyrigg are instructive. With Minto, equity concerns were initially raised by those agencies with lead responsibility for the estate, whether the Housing NSW Regional Offices or LGA, given that there are a number of similarly disadvantaged estates within their

jurisdictions. Risks were perceived in terms of perceptions of special treatment, but also in terms of working through the implications tied to a place-based approach promoted by government agencies. At Bonnyrigg, a closer partnership was fostered from the outset. Major elements of the joint approach put in place through a Memorandum of Understanding included Housing NSW funding a position within Fairfield Council, and the involvement of Fairfield staff in the selection team which assessed the bids submitted for the PPP.

5.3.2 How do you provide the strategic glue at the appropriate spatial scale?

The need for greater spatial coordination within which the range of policies and programs arising across different tiers of government can be brought together is a straightforward argument. However, how this should be facilitated in practice is a rather more challenging task. The pursuit of strong governance frameworks, working across different spatial scales and providing balance between top-down central government 'command and control', the involvement of a range of partnership models collectively contributing to shared policy objectives, and commitment to bottom-up community and local interests, are something of a holy grail.

The rise (and recent dramatic fall) of spatial planning policy in England is instructive. Since the late 1990s, there has been a continual evolution of models seeking to negotiate the different spatial scales impacting on partnership working. While the flagship New Deal for Communities (NDC) program focused on the neighbourhood and joining up policy through a place-based approach, the Housing Market Renewal (HMR) program established in 2002 aimed to capture the drivers (and therefore spatial scale) of market and economic change rather than simply focus on where the symptoms of those drivers were most prevalent. It was recognised that the approach needed to reach 'beyond individual [local] authorities and required long-term, subregional engagement and funding' (Audit Commission 2009a, p.4). As partnerships between local authorities and regional and local stakeholders, each of the nine designated pathfinders aimed to 'combine local knowledge and expertise and work to ensure that intervention in the housing market contributes to broader economic development and sustainable communities where people are proud to live' (DCLG 2010c).

Our interviewees who have had involvement in the HMR program noted a number of key factors that shaped the partnership approach.

- Central government brought together neighbouring local authorities on the basis that a coordinated solution across administrative boundaries was required if issues at the subregional scale were to be effectively tackled.
- Beyond this, the relationship between Whitehall and each of the nine pathfinders was light touch, and a 'no rules' philosophy drove early policy development.
- Partnerships were to build a strategic understanding of the issues, develop proposals conducive to addressing those issues, and determine how best to deliver them.

This flexibility was seen as an important outcome in the early stages of the program. It provided the basis on which shared strategic approaches across geographies, and coordination and alignment with other strategies impacting across pathfinder areas, could emerge. The implementation of HMR 'on the ground'—where those broader strategic plans impact upon local communities and neighbourhoods—has been challenging and often controversial (Allen 2008; Cole 2008; Minton 2009). Nevertheless, the partnership principles facilitated have been recognised as an important platform for similar subregional arrangements through the promotion of City

Regions, Multi Area Agreements (MAAs) and the Single Conversation process towards the latter years of New Labour (see Box 8) (Audit Commission 2009a).

Box 8: MAAs and the Single Conversation process, England

Multi Area Agreements (MAA) are arrangements between two or more local governments, partners and agencies to coordinate the delivery of regional and subregional initiatives. MAAs build upon the previous strategies for subregional and local area-based regeneration (LSPs, HMR & Neighbourhood Renewal). By aligning funding streams and transferring responsibilities from various national agencies to local governments in the form of ‘asks’ (requests for freedoms and flexibilities from the national agencies), they act to ‘regionalise’ policy areas covering employment, skills, transport, regeneration, housing and planning, tourism and the environment (DCLG 2010a; 2010b).

The *Single Conversation* process, introduced by the Homes and Communities Agency, is designed to streamline regeneration and renewal projects and is billed as a shared investment agreement, with the aim to achieving positive outcomes for people and places (HCA 2009, p.2). It emphasises local delivery and aims to underpin mutually shared and agreed priorities on local ambitions among partners (HCA 2009, p.4). The process aims to bring together five interrelated strategies drawn up at the regional level (Regional Economic Strategy, Regional Spatial Strategy, Regional Transport Strategy, Regional Housing Strategy and Environmental and Climate Change Strategy). Under the Single Conversation, the local authority or group of authorities has a ‘democratic mandate to lead spatial planning, and place-shaping in their areas’ (HCA 2009, p.5).

In policy terms, these frameworks—and the multitude of acronyms that accompany them—appear to offer the desired strategic glue: they provide a basis for coordination, understanding and responding to local context, a basis for agreeing priorities, and a spatial framework within which a range of partnering ‘tools’ can be facilitated. This shared context provides a basis for building longer term certainty within which a diversity of partnership approaches can respond. In practice, the cities where most progress has been made under these structures are those where longstanding collaborative arrangements provide a rationale for doing so. Such conditions are harder to instigate quickly without those historical trajectories: the potential to put in frameworks that can help negotiate the range of drivers and policies operating across different spatial scales cannot be conjured out of thin air.

It is also interesting to note that one of the first acts of the new Coalition government in the UK has been the rapid dismantling of much of the regional and subregional housing and planning framework and a return to local determination. Under the auspices of addressing substantial budget deficits, the risk is that the baby will be thrown out with the bathwater. In Australia, spatial planning and urban governance arrangements have not experienced a similar profusion of strategic partnerships and quangos,¹⁴ but establishing greater capacity for coordination of activities and interests at a scale more closely aligned to how policies and programs impact on the ground would seem necessary. In the absence of a more informed discussion about the provision of affordable housing and mixed-use development as part of meeting metropolitan-wide aims and objectives, a number of community housing growth providers talked about their role in building that vision. One interviewee highlighted their role in articulating the contribution that affordable housing makes in the context of wider policy, city and community interests, and establishing a role that:

¹⁴ Quango is an oft-used term in the UK to describe public sector or quasi-government bodies.

moves beyond a bilateral service delivery arrangement with one level of government ... and start looking at how regional entities can influence planning policy, community opinion, create opportunities for joint ventures, and begin working more as a service system. (interview)

Another community housing provider discussed the importance of a spatial focus to their asset acquisition and development strategies. While opportunities are sought nationally, there is strong rationale to target areas where the organisation already has a 'footprint', helping facilitate an integrated approach that complements and works with the wider remit of the organisation—notably in employment services—and strengthens the leadership role the provider can play in affordable housing and renewal activity within those geographies.

5.4 Summary

In this chapter, we have considered the role space plays in partnership working, and suggest that it is the accentuated importance of place and community within housing policy considerations which helps define some arguably distinct challenges and opportunities for partnership activity in this area. This reflects both recognition of the role that context and place play in terms of influencing the nature and form of collaboration between parties, but also that place and locality often provide the basis of a shared vision for the partners which can incorporate built form as well as people-based outcomes. We also highlight the need for partnership activities to be considered and supported within broader strategic spatial frameworks. Importantly, many of our interviewees—particularly those involved in area-based initiatives—talked about place as a basis and lens determining the legitimacy and accountability of partnership activity.

Although concerns can be raised regarding 'hollowing out' and the privatisation of social responsibilities and risk, those involved in the partnerships themselves indicated a more nuanced renegotiation of community engagement in the renewal process. Here, place offers a shared focus and guiding framework for parties across sectors to work toward a shared vision based on best-for-people, best-for-place outcomes at the neighbourhood level.

Table 4: Summary

<i>Context</i>
→ Spatial proximity of prospective partners and stakeholders can provide an important basis for collaboration, particularly at the implementation and delivery phases. Partners based within the same local or regional context share the same understanding of the issues and operate within the same planning, regulatory and market frameworks.
→ Partnerships need to be responsive to local institutional contexts, market conditions and different community needs and expectations. Appropriate policy responses, and program viability, will vary with context.
→ Housing and urban renewal programs need to be structured to accommodate not only policy objectives and financing requirements, but also the realities of the development and building industry expected to deliver those programs on the ground.
<i>Place</i>
→ Partnerships can provide a useful means to achieve improved outcomes for a local area, by pooling together local capacities and joining up all strands of policy and initiatives impacting on particular localities. Equally, a place-based approach provides a basis for the shared outcomes and vision for partner activity.

- Place provides the arena for partnership working within, and with, communities. The success of partnership activity will in large part be dependent upon extending the principles of good partnership working between the partners themselves to their engagement with the community
- A focus on place also points toward a whole-of-community, cross-tenure approach, and the role cross-sectoral partnerships can increasingly play, not only in the delivery of renewal outputs, but also in shaping broader social inclusion, regeneration and place-shaping goals.

Wider strategies supporting partnership working

- For partnerships to work, wider strategic support and direction offering certainty and a coherent framework accommodating a range of partnership activities is required.
 - Although international experience highlights difficulties involved, greater collaboration between state, local government and subregional agencies to develop integrated housing, planning and urban renewal strategies and requirements needs to be facilitated.
 - Such spatial frameworks provide for articulating a shared base for policy aims and objectives and underpin accountability whether partnerships are led by the public, private or not-for-profit sectors.
-

6 CONCLUSIONS

We lack systematic evaluations of actual practice, reasoned debate on the thorny policy issues and summaries of common implementation challenges ... This void reflects a troublesome gap between theory and practice: those who know about how to organize public/private ventures seldom stand back from their work and evaluate it, and those who write about the subject are seldom knowledgeable enough about the details to go beyond broad assertions (Sagalyn 2007, p.7).

This research has focused on the issues shaping how organisations are responding to the partnership 'steer' put in place by current housing policy settings. Our objective has been to focus on how those challenges and opportunities are being approached and negotiated across a range of housing and renewal initiatives by a range of organisations, agencies and different tiers of government. Our purpose has *not* been to come out for or against the principles of cross-sector partnership working, nor particular partnership arrangements. Rather, the research has adopted a pragmatic view—echoed by the large majority of interviewees—that such arrangements offer, within otherwise constrained policy and fiscal contexts, potential to innovate and 'do something'.

Our participants tended to be ambassadors for partnership approaches where they and their respective organisations have built up expertise, or those where they are seeking to attract interest and establish scale. This inevitably led to a focus on specific opportunities and challenges tied to their own schemes, projects and initiatives, rather than a more conceptual consideration as to whether the broader policy climate—supporting, facilitating and necessitating partnership working—was appropriate or not. The narrative from our interviewees throughout this report is therefore framed within the realities of trying to get partnerships off the ground and bringing the interests of different parties together to work within the parameters set by existing policy and market contexts. Although highly aware of the limitations and risks involved, discussions are thus framed by the very practical pursuit of 'making things work'.

Equally pragmatic, insights from the research would suggest that partnership activity, warts and all, is enabling things to happen within the constraints and opportunities presented by current settings. This might take the form of unlocking funding for comprehensive urban renewal in socially disadvantaged communities where public, private and not-for-profit sectors working in isolation have neither access to necessary resources nor appropriate structures to deliver the outcomes desired. Similarly, partnership working can be seen to be enabling activity where, again, the sectors working in isolation have hit barriers, or the resulting outcomes are partial and insufficient. The use of NRAS as a vehicle to build partnership capacities around affordable rental provision, and increasing housing pathway options, offers interesting insight in this regard.

Initial conclusions may suggest that 'innovation' in partnership working in the Australian housing policy context to date has been defined through a limited number of high-profile initiatives. Most arrangements—while underpinned by collaborative practice, coordination and a desire to bring together a range of skills and capacity sets—remain structured by quite traditional contractual frameworks. Although current policy discourse makes much use of partnership terminology, the realities of establishing viable governance, financing and development processes means that those aims inevitably get mediated in practice. However a considered view would counter with the following:

- *The nature and form of partnership working has to be fit for purpose and make sense for all parties involved.* At the current time, for example, many NRAS partnerships have adopted collaborative frameworks held together as consortia or special-purpose vehicles, where each entity 'does what it does' and each is not overly exposed to the risks presented by the activity or responsibilities of others. It can be argued that this provides an appropriate response given current settings and capacities.
- *One of the principal vehicles for partnership working is undergoing a strong learning curve itself.* Facilitating partnership working underpins a number of elements of the Housing Reform Agenda, and parallels the desire to see diversification in affordable housing provision through the growth of the community housing sector. Over a short period of time, growth providers are transforming their roles, establishing scale, and moving from essentially a tenancy management role to being partners in social and affordable housing delivery and ongoing place management. Gearing up to meet these opportunities and working with financiers and developers presents challenges in terms of skills and capacities, not least in the ability to take on risk (and therefore reward) given limited balance sheets.
- *Partnerships that incorporate a private finance element are complex and therefore their limited use to date can be understood.* For the public and not-for-profit sectors, partnerships often represent significant transformation of previous practice. For the private sector, the high transaction costs of tendering, investing IP and risks perceived, ensure that projects and initiatives have to be of sufficiently large scale to be worthwhile. Major estate regeneration fits the bill; however, models will be typically looking to establish economies of scale based upon replication. Specificity of context and the interplay between built form and people-based outcomes translates into intensive upfront commitment: the Bonnyrigg 'template', for example, cannot simply be transferred to other similarly disadvantaged areas.

The current landscape needs to be viewed in this context: new forms of partnership are emerging rather than being fully established and tested, not least because the opportunities presented by recent policy settings need to be in. Appropriately at this time, a degree of experimentation, of give and take and risk-taking by all parties are framing the nature of potential collaboration being explored.

6.1.1 Are there specific challenges and distinct factors shaping housing partnership arrangements?

In Chapters 4 and 5, we drew out the core themes arising from our discussions with interviewees regarding their partnership working experiences, and considered in particular whether the housing and urban renewal context raised specific opportunities and challenges. In many regards, key factors—both in shaping success but also undermining potential—bear strong similarities with those experienced in any partnership arrangement. However, we argue that a number of distinct considerations can be identified:

- The intense relationship with place and community that exists where clients/users of partnership activity are tenants and residents.
- The complex nature and qualities of housing (and particularly mixed-tenure housing) as an asset class.
- The challenge of balancing certainty with flexibility in structured arrangements given the often long timeframes and changing policy and housing market contexts within which partnerships operate.

- The risks associated with increased interdependencies between public, private and not-for-profit sectors.

We consider each of these issues below.

Place and community in partnership working

You need ongoing consensus between those with most stake in a locality—the residents, politicians and the core members of the partnership. It's about priority of purpose. (interview)

Do the often place-based, community-focused outcomes tied to complex housing and urban renewal activities introduce specific challenges for partnership working? All major interventions and infrastructure projects will impact on localities. However, the more direct, and often highly political, nature of housing provision and urban renewal is arguably distinct. As noted by many of our interviewees, a crucial factor is that individuals and communities are involved, and this grounding in context and place has to shape partnership activities if intended approaches are to be successful. The need for a joined-up response focused on place provides the rationale for collaboration, and in turn, the needs and potential of those localities represent a shared evidence base on which a coherent vision, 'best outcomes for place' approach can be shared across all parties.

This emphasis on 'best outcomes for place' resonated in our interviews with those who are involved in Kensington, Bonnyrigg or have experience of area-based renewal initiatives overseas. While the specific requirements of constituent partners need to be met if more structured partnership arrangements are to be viable (the bankers still need to make a certain return for their investment, for example), it is vital that the energies required to get the partnership model to work do not supplant *why* the partnership is there. It needs to be best-for-project, best-for-place, but also best for the people whose lives will be most impacted. It is the ongoing relationship with households at the everyday level that ensures policy interest and responsibility remains more closely tied to these partnership activities over the long-term.

Concerns regarding the marginalisation of community and individual household interests in the face of private sector commercial concerns and a loss of public accountability can be noted. Alternatively, it may be suggested that cross-sector partnership arrangements can provide an inclusive, engaged change agent for the whole of the community. In this regard, expectations regarding the degree of altruism captured in partnership arrangements come in to play: can such frameworks genuinely move beyond the contractual terms shaping the rationale for partnership activity, and if so, on what basis? To what extent do the stated intentions of partnership teams regarding community-based support and outcomes made at the time of tender materialise post sign-off?

Ultimately it would be difficult for a government to allow a PPP/PFI involving social and affordable housing provision to fail, and as such a public safety net arguably remains. Equally, a partnership arrangement where agreed social or community objectives are not honoured, or where strong profits flow back to the private sector, will understandably raise concerns that the risk–return balance was wrong, and motives for intervention perceived as contrary to securing the best people-based outcomes.

Partnership frameworks and establishing a new asset class

Yaran [Properties] are looking for buyers among institutions, property funds, self-managed superannuation funds or private individuals. This is a great example of the flexibility of the NRAS. Financiers can focus on providing

funding and looking after the balance sheet—while affordable housing providers look after the property management (Plibersek 2010).

Our second consideration returns to the challenges and opportunities presented by the distinctive qualities of housing (and indeed more broadly 'neighbourhood') as a 'bundle of goods' to be understood, priced and delivered within cross-sector partnership contexts. Encouraging institutional investment into the residential sector has long been the holy grail. A combination of modest returns, illiquidity of the asset, and unpredictability of market and tenant behaviour has meant that large-scale investors have traditionally stayed away. Add to the mix further complexities—a funding cocktail and restrictions on who you can rent to, and for how much for a ten-year period—and the challenge presented by Round 3 NRAS for applications to involve at least 1000 dwellings becomes clear. However, many of our interview discussions highlight how this policy steer has also spurred innovation with a range of unlisted property trusts, JVs, consortia and debt-funded projects in place. The important factor here is that policy frameworks ensure the necessary degree of certainty to build confidence over the long term: new arrangements take time to establish, and if expected to take up the challenge, then partners need assurance that government commitment is there for the long haul.

As at August 2010, FaHCSIA had received 25 applications, seeking around 38 000 credits in total. Yaran Properties, the first Round 3 success announced, has been awarded 1114 credits on house and land packages, to be made available across 47 sites within the wider metropolitan Perth area. Other Round 3 successes include approvals for Queensland Affordable Housing Consortium to build 1602 NRAS homes located in both Victoria and Queensland, and Ethan Affordable Housing Limited, who have been awarded 2370 credits for homes in the Northern Territory and Victoria.

Interest has also focused on a partnership between Hamton and Macquarie Bank, where 255 NRAS dwellings are being delivered as part of the Coburg urban renewal initiative (Dunlevy 2009). This was the only Round 2 success tapping into institutional funds, and a watching brief will offer early feedback on how the asset class is performing. While bringing these large, long-term funds into the affordable residential sector is logical—the sensible marriage of stable, steady returns and large funds looking to invest in a diverse range of investments with longer time horizons—the underlying nature of individual-led investment in Australia's private rented sector should not be obviated. The rationale for the retail investment consortia approach arguably better reflects the motivations and expectations of Mum and Dad investors (Seelig et al. 2009) who comprise the landlords of much of the country's rental stock and underpin the success of Defence Housing Australia's sales and leaseback model. The latter currently has over 17 000 properties within its portfolio (DHA 2009a), and thus comparisons with the targets of the more ambitious among the NRAS consortia—such as Providence Housing and QAHC—are understandable.

In this early phase of policy roll-out, the flexibility demonstrated by government as difficulties presented themselves has been important in providing a degree of confidence within this emergent sector. For example, a number of tax considerations and rulings have been required since the program was launched.¹⁵ Further downside

¹⁵ The first, in 2008, warned not-for-profits that their tax status as charitable institutions would be put at risk through engaging in NRAS activity. The second, in late 2009, ruled that the approach being taken by a number of partnerships in response to Round 3 criteria was inappropriate. This argued that NRAS benefits should not flow back to investors in sale and leaseback arrangements since the tax arrangement was with the joint venture established. This has been resolved through a 'temporary administrative solution' and through establishing private-binding rulings with the ATO. Other tax settings remain which undermine the potential appeal of NRAS to institutional investors, such as stamp duty being imposed on the totality of the transaction, thereby penalising scale, and equally the actual nature of the incentive itself is not particularly attractive to the financial logistics of superannuation investment.

risks may appear. There has been some media interest as to whether NRAS opportunities are being spruiked in 'wealth generation' seminars and whether the inevitable involvement of intermediaries with an interest in 'clipping the ticket' act to offset potential benefits, for example with NRAS properties being initially sold off at a premium relative to comparable new property in the area (Dobbin 2010; Sydney Morning Herald 2010). It is interesting to note that the DHA model has traditionally been able to support a small price premium given the long-term benefits in terms of guaranteed rental return provided. Policy-makers will need to be pragmatic in this regard: partnership with private finance will be accompanied by such market behaviours, and the argument can be made that if policy aims are nevertheless being delivered cost-effectively, this is a manageable risk.

Balancing certainty and flexibility in structured partnership arrangements

There's nervousness in government about absolutely tying everything down. The essence of this is you've got to respond to the situation on the ground ... That's why I say ... the contract is a safeguard but really what you're trying to do is get a group of agencies to work together for the best interests of the project. (interview)

As discussed in Chapter 4, the long-term nature of a structured PPP/PFI approach, such as the 30-year term at Bonnyrigg, raises a number of questions regarding ability to respond to changing social, economic, policy and market contexts over this period. Arguably the length of contract reflects the long-term nature of urban renewal activity generally, particularly where there is an existing community in place and a commitment to minimise disruption to those residents through taking an incremental, staged approach. In property and tenancy management terms, the steady flow of service fees over the concession period accord well with PPP business and financing models. However, high upfront development costs and the lag time seen before returns from that capital start to flow back (as house sales pick up) add to the complexity of financing arrangements and consequently project risk. In the case of Bonnyrigg, the 18-stage process directing Becton's involvement relates to 18 different debt facilities with repayment structures that stretch some time into the future. While staging helps mitigate housing market fluctuations, at the same time it inevitably introduces layers of complexity that impact on flexibility.

From a policy and community point of view, the timeframes involved and the degree of fix attached to establishing a 30-year contract also promotes debate. If it is recognised that all neighbourhoods and their communities change, regardless of whether major intervention is taking place or not, then contractually 'fixing' plans that stretch out over that long term would appear to clash against this flux. Housing markets rise and fall, economic and employment patterns evolve, and residential preferences and choices can radically alter over that period of time. Policies and governments will also come and go, and the drivers shaping the needs and demands of communities need review, update and renegotiation. Will the objectives and nature of outputs envisaged at the time of commencement still be relevant 10, 20 years into the agreement?

Alternatively, the 'fix' accompanying structured partnership arrangements can be seen to offer a level of certainty, ensuring continuation of the initiative for the term of the contract. In times of economic recession, there is a degree of assurance of funding for developers when the wider housing market might be highly constrained. Equally, the tie-in provides stability for the community, with commitment there to complete what has been started. The rapid withdrawal of public funding from long-term renewal programs in the face of budget constraint, as seen in the UK for example, highlights the risk of political expediency.

Increased interdependency between private, public and not-for-profit sectors

More broadly, the structural and institutional implications of promoting greater cross-sector working may raise concerns in terms of policy and market 'lock-in' over time. Given that a key policy goal is to provide conditions and a level of certainty and commitment so that the private sector can respond, it follows that the architecture of that response will be shaped and defined by those policy settings and subsidy structures. The benefit is that those public funds are leveraged, but the nature of that leveraging builds strong dependencies between public and private sector funds. This may raise difficulties both in terms of exposure during cyclical downturns and in increasing path dependencies as broader structures and objectives shift over time.

In the context of cyclical response, the economic downturn in the UK has highlighted the risks tied to the delivery of public or social outcomes within complex, contingent and cross-subsidised arrangements. The public sector and not-for-profits can build positive synergies with the private sector when times are good, but when funding streams collapse, control on the delivery of those non-profit, social elements is also at risk. If you are reliant on a healthy housing market and planning gain in order to deliver affordable and social housing, then when one freezes, the other will also be severely curtailed.

With highly structured arrangements, and particularly PFI, the implications of 'lock in' for the public sector during periods of tight fiscal constraint may become especially apparent. Again, in the UK, the substantive cuts seen across departmental, government agency and local authority budgets do not impact on the contractually protected revenue streams for the private sector: the public sector will need to continue to meet those service agreement payments in full (and indeed indexed over time), despite a sharp reduction in available expenditure. While this might protect the interests of the project or initiative in question, wider ramifications for other areas of expenditure will be seen.

In relation to developing potentially inflexible path dependencies in the longer term, policy settings appropriate at one point in time may become less efficient or warranted at a later stage. If the market and institutional response encouraged by those settings has become dependent upon those particular subsidy structures, then they become difficult to unwind. For example, many community housing providers are utilising NRAS as one of a number of funding components which when brought together lead to scheme viability and contribute to growth aspirations. In establishing market interest and financing around these models, are we locking in quite a complex set of interdependencies that are hard to unravel?

6.1.2 What role for government and policy-makers?

Partners will come together and cooperate under their own volition where it makes sense to do so and mutual benefit can be derived. They do so under the broader policy and regulatory frameworks put in place by governments. Policy can encourage, steer and effectively necessitate the process, but partners will inevitably only connect and stay connected where the resulting outcomes make it demonstrably worthwhile. In this final section, we identify a number of policy considerations in this regard. Given the breadth of partnership activity covered in this research, these are not tied to specific initiatives or models. Rather, we are interested in the wider principles shaping policy and government enrolment of partnership approaches, and in particular:

- Responsibility in presenting a more rounded perspective, identifying both the benefits and risks, tied to partnership working.

- Balancing the drive to establish a 'market' through the promotion of favoured models and retaining a level of flexibility within policy structures to enable innovation and best-for-people, best-for-place outcomes.
- Providing leadership through strategic clarity, certainty and fostering accountability.

When cross-sector partnership working might, and might not, be appropriate

As noted, this research has not sought to advocate for or against cross-sector partnership working. However, we would argue that the parameters within which current viewpoints are shaped risk compromising both sides of the argument. On the one hand, as discussed, much of the embellished language tied to the promotion of partnership working hides more mundane relationships: the genuine collaboration purported may in fact look little different to transactional or adversarial contract arrangements when stripped back. Similarly, the case made for improved efficiencies for the public sector—whether in terms of cost, delivery times and resulting outcomes—are often difficult to endorse, primarily because the evidence base is partial (for example, see NAO (2010) for a dispiriting assessment of Housing PFIs in the UK). Media coverage of cost blow-outs, rorting in terms of the rates of return enjoyed, and in many cases outright failure associated with PPPs adds further fuel to the critique.

While assessing value for money of partnership working in 'public sector comparator' terms is important, a more rounded perspective and justification for taking cross-sector partnership approaches is equally so. This is not to dismiss the reality of needing or indeed wanting to get the private sector to pay upfront capital costs of major projects or schemes, but aims to incorporate a better understanding of the outcomes required, for which groups, and the most effective means of achieving those outcomes. Such a perspective would seek to ensure that concerns regarding financial efficiency do not obviate the need for and responsibilities of public governance (Bovaird & Tizard 2009). It also offers space for governments to re-energise a long tradition of other settings that can support the private sector to deliver public policy goals, whether through access to government-backed bonds, guarantee arrangements or through the provision of relatively shallow subsidy frameworks for initiatives until they can become self-sustaining.

Where governments ultimately need to retain risk, or can provide subsidy cheaper in the long-term, then the rationale for pursuing often highly complex partnership arrangements arguably becomes less valid. Equally one can also suggest that in other situations, a more logical case in support of their use can be made. For example, both the public and private sector have, in isolation, failed to respond to the growing demands for affordable rental housing and the needs of an intermediate housing market. Given the 'pathways', transitional nature of housing products required in this space, the case for advocating cross-sector arrangements which can most effectively share those risks, appears strong. In considering the role that shared ownership and equity schemes can play in this regard, Whitehead (2010 p.5) notes:

Public-private partnership demonstration projects could have an important role to play in moving the housing market forward to address current economic and financial circumstances and the potential decline in owner-occupation. The objective should be to put in place a much broader-based set of risk management and tenancy arrangements, which could help to provide longer term solutions that are sensitive both to housing careers and to changing circumstances.

Similarly, the underlying drivers and intended objectives of housing and urban renewal activity in particular market and community contexts may point towards governance, financing and delivery arrangements that enable the public sector to 'invest' in, rather

than simply subsidise or pay for, that activity. Instead of giving the ‘family silver’ away, those assets are incorporated innovatively into partnership structures to ensure that longer term public interest, including long-term returns from that subsidy, can be retained. This may take the form of patient equity arrangements, where the public sector captures value and reinvests that value if and when the process or activity over time. In essence it comes back to determining an effective and equitable balance between risk and reward, and ensuring that those risks/rewards are most efficiently shared across sectors, both spatially and temporally.

Flexibility, underpinned by policy certainty

Throughout this report, we have emphasised the importance of context, place and community in helping shape and determine appropriate policy, and in turn partnership, responses. Engaging with the context of place as a starting point provides a focus for agreeing shared outcomes and underpins the rationale for collaborative activity; it also acts to determine alongside financing and economic realities the feasibility and appropriateness of possible partnership approaches. There is no one-size-fits-all solution.

However, encouraging and facilitating diversity in approach risks undermining the potential to build impetus and certainty around particular models and frameworks. Arguments for trying to seek certainty reflect the need to establish a market of sufficient scale in order to build up knowledge of risk profiles and provide greater confidence to the private sector when making investment and business decisions. It follows that if the development and financial sectors know that there are 30, 50 or 100 hospital PPPs in the pipeline, then the market can gear up and the high development and transaction costs involved can be accommodated.

Housing and urban policy and programs will—and arguably should—struggle to advocate a preferred approach. The diversity of challenges and opportunities presented by having *in situ* partners (i.e. existing communities) and broader housing market and economic contexts within which housing interventions take place, suggest that a range of models should continue to vie for attention. With an increased focus at both Commonwealth and State level on addressing concentrations of social disadvantage, notably on large public housing estates, potential tensions between promoting consistency in approach (particularly if funding streams with attached expectations are involved) from a national perspective, and the importance of allowing local determination, may arise. In western Sydney, the responses required (and in operation) in Bonnyrigg, Airds/Bradbury, Villawood and Telopea are different, and the variety and level of partnership activity in each case equally so.

The need for flexibility in approach has also been seen in the early years of NRAS. Again, there was no off-the-shelf product in terms of what an NRAS partnership should look like, how it should put its financing together, or how it should be delivered. While a number of issues—for example charitable status and tax ruling concerns—emerged as partners got together, the government took a largely proactive approach in looking to help things off the ground and then adapting and providing exemptions as appropriate. Such flexibility inevitably adds to complexity for policy development and delivery, but the trade-off has been greater diversity and innovation across sectors than otherwise might have been the case.

Fostering flexibility needs, however, to be underpinned by solid foundations in the form of commitment to the policies themselves, the objectives that those policies are seeking to achieve, and the funding or subsidy arrangements attached to them. The

recent announcement regarding a cap¹⁶ on the NRAS program as part of Federal budget savings in response to the Queensland floods has met with considerable concern voiced from a wide range of stakeholders across both profit and not-profit sectors. This is not only reflective of the immediate effects on partnerships with 'live' applications in the current NRAS round, but also such a decision's impact on building certainty and providing assurance to the private sector and investors of government commitment over the longer term (Horin 2011).

Demonstrating strategic leadership and fostering accountability

As discussed in Chapter 5, success is not simply determined by getting the structure, team and internal governance of the partnership itself right. It is also dependent on strategic clarity being in place. In part, this relates to the continual search for better coordination between and across policy areas that impact upon partnership activities. It also depends on provision of coherent policy contexts that provide certainty and the basis for shared understanding and negotiation—for financial institutions, developers, not-for-profits and communities alike—that help all parties identify with appropriate frameworks for working together. There is both a temporal (i.e. long term commitment) and spatial dimension to this.

Government also needs to take the lead in encouraging and enabling greater accountability. Calls for transparency of partnership activities and process often relate to market interest in the disclosure of information so that risks can be better understood and therefore priced. More importantly, they need to encompass accountability in political terms, including to the neighbourhoods and communities most directly impacted by those activities. As Grimsey and Lewis (2004, p.158) ask, 'do the partnership arrangements ensure that the community can be well informed about the obligations of government and the private sector partner, and can these be overseen by the public auditor?'

Private sector recourse to 'commercial in confidence' considerations often scuppers opportunities for sharing of best practice as programs mature, and this opacity risks adding to the air of complexity and potential sense of detachment from those most affected by partnership activities on the ground. It is in this regard that structures put in place by government need, first and foremost, to balance 'efficiency and effectiveness' imperatives with basic principles of good governance. This is not to necessarily retreat into assuming or privileging the role of the public sector in this regard, but points towards the role partnerships themselves must play in 'making the case' and building confidence through demonstrating and sharing the lessons—financial, political and for the individuals and communities concerned—learned.

¹⁶ As part of the Government's Flood Recovery announcement, NRAS will see a 30 per cent cut in total funding, reducing the number of dwellings to be made available at below market rates from 50,000 to 35,000.

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