

The Brisbane Housing Company

What it is and How it will work?

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**Queensland
Government**
Department of **Housing**



Brisbane City

Caveats

- **This is work in progress**
- **The key sponsors have agreed to the proposal in principle, but no final decision has been taken**
- **The assumptions are still being tested**
- **Numbers remain indicative only**



Context

- **Falling public housing funding**
- **Rapidly increasing rents & values in inner city leading to displacement**
- **Desire from BCC to find a ‘safe way into affordable housing**
- **Commonwealth social security & tax policies favour non-government solutions**

Overview

- **Aim**
 - To provide housing for people on low & moderate incomes in Brisbane
- **Structure**
 - A “not-for-profit” public company limited by shares; independent of government
- **Funding**
 - Equity from state and local government, and structured to ensure financial efficiency ie access to Rent Assistance and developer contributions

Key Themes

- **Financially efficient & sustainable**
- **A complementary supply**
- **Good quality housing**
- **Transparent operation**
- **Working in partnership**
- **Appropriately opportunistic**

Origins of the Idea

- **Collaborative work between Qld Housing and BCC has included:**
 - **Building Better Cities initiative leading to inner north Brisbane regeneration**
 - **strategies for caravan parks, boarding houses and homelessness**
- **Housing company idea grew out of this joint work as a way to provide affordable housing in inner city areas**



How will it work?

Governance

Business Model

Partners

Portfolio

**Rents &
Affordability**

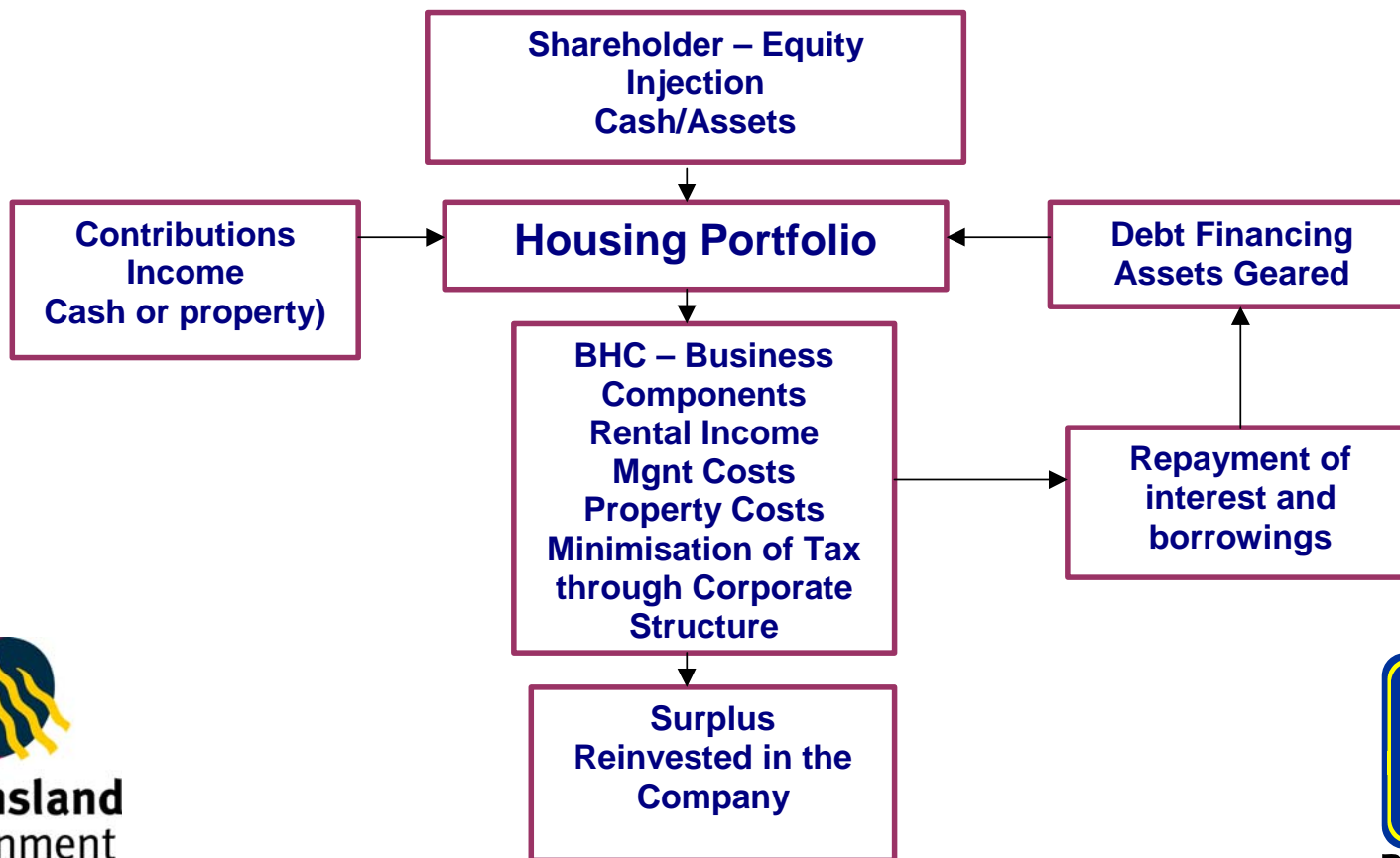
**Products &
Target Groups**

The Business Model-1

- **The approach**
 - **charitable status and a rent policy designed to maximise “tax efficiency”**
 - **tenants will be eligible for Rent Assistance**
 - **the entity is a suitable recipient for financial contributions of various kinds**
 - **leverages debt finance**
 - **no dividends payable on equity, all surpluses are reinvested in the company**

The Business Model-2

Brisbane Housing Company - Business Model



The Business Model-3

- **Model assumptions:**
 - State equity of \$50m, BCC \$10m; 4 years
 - developer contributions, \$12m; 12 years
 - land sales contributions, \$20m; 10 years
 - debt \$14m
 - NPV of rent assistance is \$16m
 - NPV of GST savings is \$8m
- **Result: Produces \$80m worth of housing & a positive cash flow for 50 years**

The Portfolio Plan-1

- **The approach**
 - Inner and near city homes based on the existing demographic mix to meet housing need
 - Predominantly purpose built
 - Procured to secure value for money within business plan constraints
 - Located near public transport
 - Constructed with regard to universal design principles



The Portfolio Plan-2

- **Model assumptions:**
 - Total portfolio cost \$80.3m
 - 75% 1 beds, studios or boarding house units
 - Average unit cost \$133k
 - Acquired over 4 years
 - 20% “inner city”, 80% “near city”

Rents and Affordability-1

- **Rents set at a discount to market ie they are not a set % of a tenants income**
- **Advantages:**
 - facilitates choice, rents reflect amenity
 - avoids disincentives to employment
 - simple to understand and administer
 - assists predicting company income and demonstrating compliance with tax rules



Who *CAN* Afford these Rents?

- **Singles people and families on Newstart Allowance**
- **Families in receipt of Parenting Payment Single**
- **People in receipt of Disability Support Pension**
- **People in receipt of Age Pension**
- **Low Income wage earners earning \$320 p/w or more, not receiving Rent Assistance**



Who *CAN'T* Afford these Rents?

- Single students on Austudy, even with maximum additional income of \$118 per week.
- Couples on Austudy (basic benefit)
- Single 16 to 20 year olds on Abstudy (basic benefit)
- Single people on Youth Allowance (basic benefit)
- Very low income wage earners with incomes below \$320 per week and not receiving Rent Assistance.

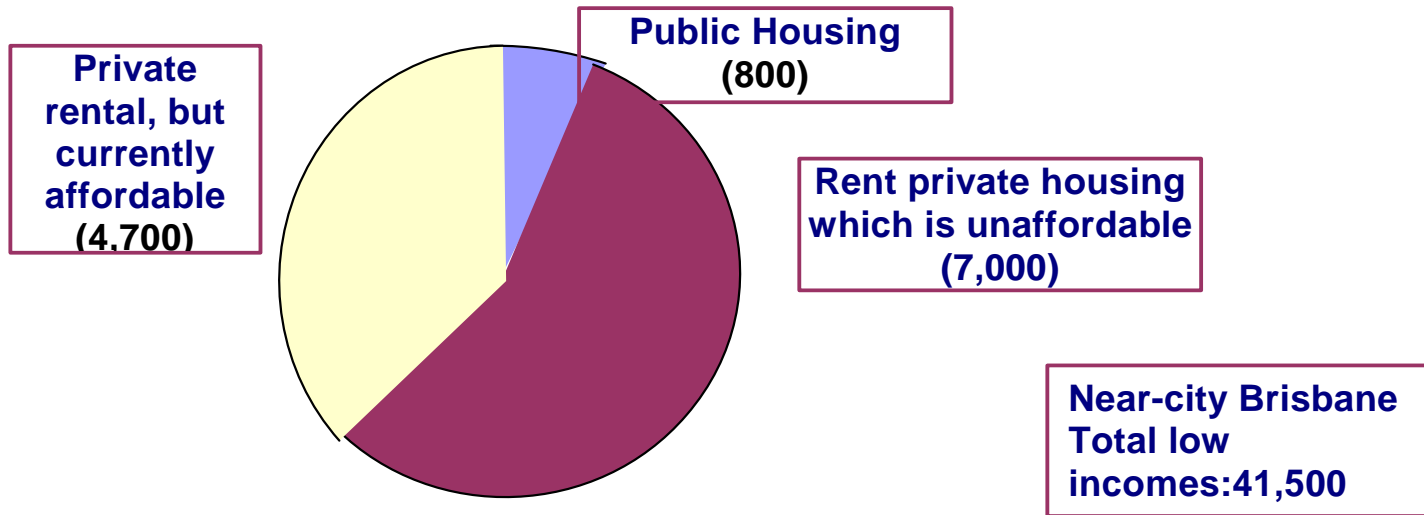


Access & Tenancy Management

- **The approach:**
 - A range of products is envisaged
 - Referrals will be provided to households on existing public & community housing lists
 - It will be restricted to those who lack an alternative (ie income + asset restrictions apply)
 - Annual means testing with market rent charged to those who no longer require subsidy

Prospective Tenants for BHC

Low Income households within 7.5 km of central Brisbane who can afford BHC rents & would be better off than current housing



Source: Centrelink records plus allowance for independent low incomes

Partnerships-1

- **The approach:**
 - **complementary supply to meet gaps and increase choice requires collaboration**
 - **referral arrangements illustrate the approach**
 - **75% of management assumed “out-sourced”**
 - **partners will need to comply with corporate policies on service delivery and consultation**
 - **the first lease has already been awarded!**



Partnerships-2

- **There are a range of partnership opportunities:**
 - Referral of tenants
 - Provision of advice or advocacy
 - Provision of property development and management services
 - Joint ventures, mergers or partnerships
 - Participation in sub committees

Community shareholding



Governance

- **The approach:**
 - **Independent of government, but government sponsors retain a significant voice**
 - **Aims to ensure that a significant public investment continues targeted provision**
 - **Transparency**
 - **To be run as a business**



Ordinary Shareholders

- Department of Housing
- Queensland Treasury
- Brisbane City Council

**Appoint
Community
Shareholders**



Community Shareholders

Must be a legal entity from one of the following:

- Private Sector
- Community Sector
- Church Sector
- Others including Trade Unions and local businesses.

Minimum 7

Maximum to be determined



**Each appoint ONE
Director to the
Board**

+



**Collectively elect between 4
and 6 Directors to the Board**

= Between 7 and 9 Directors.



Who appoint staff including a Chief Executive Officer.

What could go wrong?

Risk Assessment and Risk Management

- **Some obvious risks:**
 - Don't secure charitable status
 - Developer and land sale contributions don't materialise
 - Rent Assistance rules change
 - The company is mismanaged
 - Government sponsors have a disagreement
 - Changes in demand for housing



What could go wrong?

- **Risk management:**

- Get the necessary approvals up front
- Less income means less housing, but the company is still viable & sustainable
- RA changes will affect the market as a whole
- Clear performance targets and explicit reporting requirements
- Governance structure is robust

High demand areas



What next?

- **Stakeholder engagement**
 - foundation meeting Nov 2001
 - **Cabinet submissions**
 - Feb 2002
 - **Implementation plan**
 - incorporation in March/April 2002
- commence operations in July**



Looking to the future....

- **Not just about 600 units..**
 - **Continued growth? Directors will be charged with seeking to provide more housing**
 - **Evaluation to learn the lessons to guide future investment; other housing companies?**
 - **Policy development; testing ideas that positively influence housing policy in the future**
 - **Wider market effects? providers; partnerships with the private sector, new products and services**