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The barriers to repurposing Not-For-Profit real property assets

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**Abstract**

- **Purpose**
  This research paper examines the barriers to the repurposing of under-utilised real property assets owned by Australian not-for-profit (“NFP”) organisations for affordable housing provision.

- **Design/methodology/approach**
  Exploratory research was undertaken with five diverse (non-housing) NFP organisations.

- **Findings**
  The research indicates that NFP organisations who are not principally engaged in housing provision, but hold surplus or under-utilised land and property assets, may be willing partners in affordable housing provision. However a range of institutional and structural barriers would need to be overcome for housing developments to occur on under-utilised NFP organisations land holdings.

- **Research limitations/implications**
  The small scale of the study limits generalisation from the research findings. However, the findings point to an opportunity for innovation in housing land supply that warrants larger scale research.

- **Practical implications**
  This research provides evidence that a source of well-located land is potentially available for future affordable housing provision, but that NFP organisations would
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require skills and financial resourcing in order to make their land available for this purpose.

- Social implications
Well-located land is a major cost input for the provision of affordable housing, and the repurposing of NFP organisations land or assets for affordable housing could make a significant contribution to the stock of social housing.

- Originality/value
There has been no research on how NFP organisations view opportunities to repurpose their land for affordable housing despite this sector being actively encouraged to do so. This paper reports the first Australian study of dispositions and barriers to the re-use NFP organisations land assets.

Keywords Not-for-Profit organisations; affordable housing; surplus land; underperforming assets; repurposing;

1. Introduction
It is widely recognised that the cost of well-located land is a significant barrier to affordable housing production in Australian cities (Yates and Milligan, 2007; Hulse et al., 2010; Rowley et al., 2014). The National Affordable Housing Agreement ("NAHA") sought to tackle this problem by requiring that signatories to the agreement identify surplus government land that might be repurposed (Council of Australian Governments, 2012). The agreement recognised that there are few alternatives to sourcing land with access to services, employment and public transport, thus meeting NAHA’s social objectives, beyond purchasing on the market.

The Australian Capital Territory ("ACT") Government (2012) however, argues that the land on which many clubs and community facilities operate is under-utilised,
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offering scope for redevelopment including housing. As the ACT Government observes, much of this land was originally provided to not-for-profit (“NFP”) organisations at no or low cost. The ACT Government’s affordable housing strategy accordingly offers incentives to NFP organisations to redevelop their sites to include affordable housing (ACT Government, 2012). As the ultimate landowner under the ACT’s leasehold system, the ACT Government’s approach seeks to balance the need for land with sensitivity to existing use rights.

Unique in Australia at present, the ACT Government’s strategy issues a challenge to housing policymakers and NFP organisations in other parts of Australia. However, wider adoption of this strategy, and indeed the prospects of success in the ACT, is hampered by a lack of research in this area. There are two major knowledge gaps. The first is the absence of reliable quantitative data on land holdings in the NFP sector. The second gap, which is the subject of this research, is a lack of data on how NFP organisations view opportunities or incentives to repurpose their land for affordable housing. Clearly, quantitative data on the location and characteristics of NFP organisations land and property assets is required for sound policy formation in this area. However, policy success is also dependent on the disposition and capacities of the NFP sector, and any barriers to such policies being implemented.

The Australian community sector has a long history of involvement in affordable housing provision, especially for the elderly and the poor (McNelis and Herbert, 2003). This involvement expanded in recent years with the redirection of State and Commonwealth housing funds to community housing organisations via the NAHA (formerly the Commonwealth-State Housing Agreement), and the Social Housing
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Initiative established as part of the Rudd Government’s Economic Stimulus Plan (Milligan et al., 2013).

This research hypothesizes that civic NFP organisations, not directly involved with housing provision, but with a broad social service or social justice orientation, also find Australia’s crisis of housing affordability deeply troubling. It is further hypothesised that such NFP organisations are potentially willing to act on such concerns, and have surplus land or under-utilised real property that can be made available for affordable housing. To test this, data were collected from a diverse group of NFP organisations operating in Victoria, Australia. This research details the background to this exploratory research and the study findings.

In the next section a brief overview of the Australian Housing Market is provided. Section three of this research paper backgrounds the nature of land and property assets held by the civic or NFP sector in Australia, and recent policy, infrastructural and social changes that have rendered these assets problematic. Section four outlines the study methodology and presents the study data. The data show that while the organisations involved in the study were diverse in character, each respondent saw clear links between their organisations mission, their real property assets, and housing affordability. The NFP organisations experience with and concerns about housing stress and homelessness are detailed in section five. The range of challenges and barriers that NFP organisations confront when considering the management of their assets, especially when it involves decisions regarding under-utilised or surplus property are discussed in section six. The implications of the research are provided in
section seven, and conclusions for researchers and policy makers in this field are drawn in section eight.

2. Australian housing market

The Australian housing market is characterised by a high level of home ownership, at 67% (AIHW 2014), which is amongst the highest in the world (Andrews and Caldera Sánchez, 2011). Nevertheless, there has been decline in home ownership amongst younger households over the 30 years between 1981 and 2011 (from 61.4% to 48.4% for 25–34 year-olds and from 74.3% to 65.3% for 35–44 year-olds) (Burke et al., 2014), and a high rate of exit from home ownership without re-entry, especially amongst women who later require housing assistance (Wood et al., 2013). Social housing contributes a meager 4% of dwellings and is narrowly targeted to those with high multiple needs, thus effectively excluding a large number of low-income households (AIHW, 2014). Reflecting these trends the private rental sector is now home to the majority of low-income rental households, with a third having spent 10 years or more continuously in private rental. Long-term renters experience very high rates of housing stress relative to other tenure groups despite financial assistance via transfers from the Australian Government (Commonwealth funded Rent Assistance).

Overall rates of housing stress among private renters increased from 1981 to 2011. Data from the most recent Census in 2011 indicates that 62.6 per cent of long-term renters are in housing stress (with those in the lowest 40% of the income distribution paying more than 30% of income on regular rental payments) and that more than 20 per cent of low income long-term renters regularly pay more than half of their income on rent. (Stone et al., 2013: 2)
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A consequence of these trends is increasing policy concern with housing affordability, which is understood as the interplay between both demand and supply side factors (Wood et al. 2014). Housing price growth has been significant especially in the two major metropolitan areas of Australia, Melbourne and Sydney. Prices in these cities have doubled in a little over a decade, while income growth has not kept pace (Yates 2008). The digression between incomes and housing prices means the average weekly earnings multiple required to buy a median priced house increased from 3.3 in September 1985 to 8.2 in June 2010 (Worthington, 2012: 239). The average weekly earnings multiple, a common housing affordability measure assumes full time employment but takes no account of a persistent gender pay gap of around 17 per cent (WGEA, 2014). Housing price inflation is particularly intense in inner city areas that are the major centers for employment, services and public transport. The result of this has been considerable spatial polarisation with lower-income households dispersing to fringe where cost of living expenses can be particularly burdensome (Dodson and Snipe, 2008), and access to labour market opportunities is reduced (Yates et al., 2006).

A key measure to address this problem is to increase the supply of affordable housing in strategically significant areas. We believe that by identifying land that is currently held and underutilised by NFPs may be one way to address the housing affordability problem.

3. Community Land Assets

The complex processes through which the Australian NFP sector acquired or came to control property assets defies brief description. In the nineteenth century it was typical of governments in Australia to grant land to religious organisations for faith
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and charitable purposes, and the same applied in the first six decades of the twentieth century to charitable, service and sporting organisations for public benefit uses. Local government rate exemptions are still broadly applied to properties owned by charitable organisations as a result of this granting (Productivity Commission, 2008). Community fundraising, philanthropy and bequests have also been key methods of acquiring assets or obtaining capital to build assets (DVC, 2003). Governments at all levels have provided capital grants for building projects ranging from small halls to sporting facilities to hospitals and more (DVC, 2003). The Ascot Vale (Lawn) Bowling Club, in Melbourne’s inner-north west, is a typical example with the site being purchased in 1923 using funds raised by the local community. As discussed below, the disposal of this asset is a defining moment in the history of NFP asset disposal.

The scant Australian literature on community assets includes overviews by McShane (2006), and by Lewi and Nichols (2010) of community buildings. Lewi and Nichols (2010: 3 - 8) argue community buildings in Australia ‘emerged initially as the results of social activism, religious patronage or philanthropy…via the ‘voluntary work of local progress associations, and women’s, sports and church groups’. They emphasise that localised initiatives have been important to the realisation of community amenities in Australia, although much of this infrastructure has subsequently been transferred to local government.

McShane (2006: 82) notes that although state and federal governments have in recent years required local governments to development strategic asset management plans, NFP have been neglected.
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Poor management practices and the limited horizons of strategic planning and political decision-making have failed to provide for infrastructure renewal necessary to maintain current levels of economic productivity, [and] service provision.

Further, while the NFP sector has had a deep engagement with affordable housing despite this being outside of the stated mission of many NFP organisations, the Lions Club and Returned Services League, for example, built ‘independent living units’ for the aged and veterans, there is no published analysis of the nexus between real property assets held by the non-housing NFP sector and their provision of affordable housing.

The lack of discussion about NFP organisations property assets is surprising in light of the significant controversies generated by the disposal of land and property controlled by community or NFP organisations in Australia. The disposal of the Ascot Vale (Lawn) Bowling Club in 2001 provides a salutary lesson, not just about changing patterns of use but attitudes to custodianship. The club’s constitution stated that if the club was to ‘wind-up’ the land should be reserved for other community uses over the years. Interest in lawn bowls declined, and with it club membership. The small group of remaining members recognised they could change the wind-up provisions of the constitution so that any sale proceeds could, instead, be distributed to remaining members. This action netted these members with equal shares to $1.3 million when the property, in a rapidly gentrifying area was sold. But was also deeply controversial, and resulted in legislation to prevent such opportunistic actions reoccurring (McShane 2006). More recently, community outrage over the Uniting
Church of Victoria’s proposal in 2013 to sell 56 properties to cover financial losses arising from the collapse of the Church’s new outer suburban school “Acacia College” (Zwartz, 2013), has many, if less spectacular parallels across Australia.

Such NFP organisations actions are the most newsworthy aspect of a wider problem of the ageing, under-utilisation and redundancy of the land and property assets held by the Australian community sector. Acquisition and management of these assets has underpinned the functioning of the community sector and civic life in Australia, however, changing demographics and patterns of civic participation, as well as changing service models and regulatory frameworks, have raised questions about the future of this inventory (McShane, 2006). At the same time, the increasing value of land controlled by organisations, the adoption of a strategic approach to property asset management, and the history and mission of organisations have intersected to create pressures and ethical dilemmas around asset disposal. As this research details, some NFP organisations are reluctant to dispose of redundant assets, but see little other option in the face of financial stress or organisational change.

The social and economic costs of disinvestment in public and community infrastructure emerged as a significant policy concern in Australia and elsewhere in the late twentieth century (McShane, 2006). The issue first gained traction in the United States in the 1970s, with state-level planning agencies raising alarm over decaying infrastructure as inflation and tight public budgets encouraged deferral of maintenance and slowed new investment (Choate and Walter, 1981). The problem soon registered in Australia, as all tiers of government became concerned about the state of public infrastructure, particularly the large stock of infrastructure assets.
acquired during the years of rapid population growth and suburban development following World War 2. The issue was a particular concern at local government level, where councils have the greatest proportion of their assets in built form of any level of government in Australia, but also have the weakest fiscal position (Lang, 1991; PricewaterhouseCoopers, 2006). Councils also faced dilemmas over assets that no longer met disability requirements, occupational health and safety standards, building codes, were poorly sited, or did not service the needs of a changing population base. The resultant policy response focused on strategic asset management, a broad approach encompassing systematic asset maintenance, and asset rationalisation through asset repurposing, facility sharing, and disposal (McShane, 2006).

The non-government or community sector has been subject to similar pressures to governments, although less is known about this sector’s real property asset inventory and its use of physical assets, than of the asset stock of Australian governments. This is a significant knowledge deficit at a time when Australian governments increasingly rely on the non-government sector for community service provision (Productivity Commission, 2010). The system of crown land reservation moreover, supports many civil society institutions, whilst private and business philanthropy has made a significant, if un-quantified, contribution to community infrastructure, through the gifting of land and structures to NFP organisations.

While data on the NFP sector are patchy (Productivity Commission, 2010), it is clear that some civic institutions, particularly membership organisations with branch or parish structures, have significant holdings of physical capital. The Australian Bureau of Statistics (2014) estimates that the NFP sector expended over $5 billion on land
and buildings in the 2012-13 Financial Year, but also disposed of over $1.8 billion of capital assets. While this gives some sense of the scale of these assets, it tells us nothing of their productivity. A specialist financier to the NFP sector, Foresters Community Finance (2013), estimates the value of under-utilised or ‘lazy’ assets held by NFP organisations at $1 billion.

The deterioration or outright disposal of the NFP sector’s physical assets represents a loss of economic, service and social values, often recognised only at the point of imminent loss (Lewi and Nichols, 2010). The sale of physical assets can boost balance sheets and help fund or initiate other services. As with the public sector, a NFP strategic property management perspective calls for scrutiny of assets that are not fit for purpose. However, the disposal of physical assets may also represent a lost opportunity to realise the mission of civic organisations in new ways, or may conflict with the terms under which assets were acquired in the first place.

Such treatment of NFP organisations property assets also creates policy dilemmas for governments. In addition to usage of crown land, the land holdings of NFP organisations were often acquired through government grants or concessional direct sales (ACT Government, 2012), and have often benefited from local government rate concessions (Productivity Commission, 2008). These benefits have favoured developments targeting higher income sectors, for example in the disposal of low-income independent living units (housing) in favour of up-market nursing homes (aged care) (McNelis and Herbert, 2003).
The ACT leasehold land system provides the ACT government with a dataset capable of identifying NFP organisations with landholdings. The mapping of the NFP organisations land assets elsewhere is a significant challenge. While the ACT government would have been able to easily determine land utilisation via aerial surveys, knowledge of the productivity of assets would been more difficult to acquire, and perhaps is presumed (given the historical development of Canberra) rather than known on a case-by-case basis. There are at least 60,000 “economically significant” NFP organisations in Australia (Productivity Commission, 2010:53). Presumably many more may not be economically significant but may well hold well-located land that may or may not be fully utilised. Developing a quantitative picture of NFP property holdings is compromised by disaggregated data and poor documentation. This presents a significant methodological challenge. Determining NFP organisations asset productivity not only requires data but also raises theoretical issues for economists. For the moment what is known of the issue is used to frame the response of key actors, NFP organisations.

The question at hand is whether the repurposing of NFP real property assets for affordable housing is an effective way of realising the broad public good or community welfare rationales that often underpinned grants and concessions. As this research reveals, NFP organisations are keenly aware of legacy, and deeply reflective on the value of innovation with respect to repurposing their real property assets.

4. Study Data and Analysis

In order to examine the barriers to repurposing under-utilised real property assets owned by NFP organisations for affordable housing, an exploratory study was
undertaken. This study was designed to acquire an intimate firsthand understanding of the NFP sector’s propensity and capacity to repurpose its real property assets. An exploratory research design is appropriate as it is broad-ranging, intentional and systematic, designed to maximise discovery of the issues at hand (Given, 2008).

Five diverse NFP organisations in the State of Victoria, Australia were interviewed to ascertain the potential nexus between the real property assets of NFP organisations and affordable housing provision. The purpose of these semi-structured interviews was to give voice to two major groupings within the NFP sector – civic organisations (for example recreation or faith-based organisations) and community service providers (such as community health services). The interviews were intended to capture anecdotal evidence previously acquired on this research topic, as well as to gauge whether a larger research project is warranted and, if so, how that research might be structured.

Data on the nature, uses and strategic thinking about each organisations real property portfolio, and views on the reuse of surplus or under-utilised real property for affordable housing, was obtained through semi-structured interviews with senior executives or officials. Two were Chief Executive Officers with overarching responsibility for organisational strategy and asset management; two were senior managers with responsibility for property management; and the fifth a church representative. The five organisations interviewed for this project were a Melbourne church parish (hereafter referred to as faith organisation (“FO”), a membership-based state-wide community recreation organisation (“RO”), two mental health services (“MHS”), one Victoria wide and one multi-state, and one rural health service
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(“RHS”) located in western Victoria. The organisations interviewed were selected on the basis of their diversity in service provision (by service type and geographic reach), were holders or users of significant real property assets, and were experiencing a range of issues associated with the strategic management of their property portfolios. Data on the characteristics of each of these NFP organisations was collected during the interviews and is summarised in Table 1.

[INSERT TABLE 1 HERE]

Interviewees were asked questions relating to the purpose, history and structure of their organisation, membership changes, property assets, property disposal, property asset strategies and management, understanding of the housing needs of the local community, and how it engages with wider and local communities. Whilst each of the organisations were different in character and none of their mission’s involved the provision of housing services, each respondent saw clear links between their organisations mission, their real property assets, and housing affordability. Analysis of the data collected forms the remainder of this paper.

The histories of these organisations significantly shape their asset portfolios. Two of the organisations were established in the nineteenth century, one dates from the 1920s, and the final two were established in the 1970s. The longevity of several of the organisations meant that some of their built assets were subject to heritage controls. Four of the five organisations had been through mergers, with subsequent pressure to identify and dispose of surplus property. The RO had experienced a decline in membership, and a concomitant reduction in the capacity or willingness to maintain
asset, resulting in their under-utilisation or their failure to meet current service needs and regulatory requirements.

Only the FO did not have legal ownership of the assets for which it was responsible, although it assumed its property-related decisions would be ratified by the responsible legal entity, a property trust controlled by the wider church. Similarly while the RO ‘branches’ did not have independent ownership or decision-making power in relation to property, their views carried significant weight at ‘head office’. The two MHS’s were membership organisations established as a company limited by guarantee, (Australian companies are registered under the Corporations Act 2001 (Corporations Act), which is Commonwealth legislation administered by the Australian Securities and Investment Commission). The RHS was incorporated under the Health Services Act 1988 (Victoria) by the Governor-in-Council.

The property asset types held by the NFP organisations interviewed varied widely, as did the legal options for repurposing. Property asset types held by the organisations ranged from churches, health and aged care facilities, halls, residences (single, group and multi-unit), recreation camps, to offices and vacant land. The organisations options for use or repurposing some sites were sometimes restricted by location (one land parcel was located within a park) or covenants attached to bequests. One organisation had successively sought court rulings to break caveats and free up site uses although this was (at least initially) expensive.

The property management expertise within the interviewed NFP organisations also varied widely. Each interviewee commented that their organisation had only recently
developed a strategic awareness of their real property assets, and in two of the five cases this resulted in the appointment of property managers. Three of the five organisations were still determining what property assets they held, and one organisation had only recently included property assets on its balance sheet.

The lack of in-house skills and intimate knowledge of their real property assets has already been problematic for some of the interviewees. The two MHS’ manage state-owned housing provided by the Victorian Department of Health for residential care as well as housing owned by third party organisations or individuals. Frequently, older arrangements involving property management of government stock or stock transferred from government came with no legal agreement and little documentation. Prompted by government rationalisation of service provision, MHS1 had experienced considerable difficulties in ascertaining what housing stock it owned and what housing stock was managed, necessitating the appointment of a property manager and the development of a strategic asset management plan.

The development of this strategic asset management plan revealed a number of extant risks. Beyond risks directly associated with property such as maintenance, renewal and insurance for example, MHS1 realised it had housing that was no longer tied to funding streams. As service funding has become more closely tied to client support MHS1 found they were housing clients[^1] for whom they were no longer able to claim support funds.

*What can happen is that you can go to sorting [properties and associated support]...and you can end up the loser, so the one without*
money…[rationalisation is] all terrific, as long as …nobody’s actually disadvantaged by the arrangements (MHS1).

As MSH1 clients’ rents are subsidised loss of support funds to cover housing costs has an adverse budget impact. This situation reveals the fiduciary risks (of company directors) that may accrue in relation to property assets that are not always immediately obvious, and hence the importance of sound and current strategic property management plans.

This research revealed that the varied attention to real property assets within the NFP organisations service model meant that not all organisations had a property asset management plan. The FO interviewee had worked for some time with the congregation simply to gain agreement to formulate a plan. In part, this was an attempt to conduct timely building maintenance needs, such as electrical rewiring, required to obtain insurance coverage. In the absence of consensus on this point from the congregation, the FO interviewee concluded:

It’d be a shame if we had to make a big decision…when it’s an emergency rather than thinking it through. (FO)

This interviewee suggested resistance to strategic planning in this case was related to concerns about the congregation’s decline, the allocation of financial resources and the threat of de-consecration of the parish churches. However, as the RO interviewee indicated, members of that organisation also treated their property as sacrosanct, with discussions of the benefits of shared facility arrangements for example, revealing a
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strong preference for exclusive ownership and use. Shared facility arrangements, which are currently encouraged by state and local governments, reduce property-related outlays and contribute to ongoing financial viability of NFP organisations. Such reform however is difficult in the context of such strong beliefs regarding the emotional, psychological and spiritual attributes towards the real property assets of some NFP organisations.

Consistent with the findings above, the interviewees confirmed the FO and RO assets had been handed down from previous generations, generating a sense amongst current members that they held the assets in trust. Executives of the organisations however did not necessarily share the implication that the contribution and mission of earlier members should be preserved in historical form. For the FO interviewee, the focus on real property came at the expense of mission:

[The parishioners] will say, well, we’ve inherited this, therefore we have responsibility to make sure it’s used properly. Well sure, that’s every generation’s responsibility...but my argument would be that maybe to sell property A is in fact making a responsible use of that inheritance. (FO)

The RO leadership had been attempting to convince members of the benefits of new thinking about their ageing and under-utilised assets, and had been exploring the shared use of local government facilities. However, some volunteers with the organisation are deeply attached to the assets, to the point of requesting that their ashes be scattered at particular sites.
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[Volunteers] identify themselves with the hall or whatever it is, because they’ve had...involvement in developing it, and they see a responsibility for looking after it as well...And if you’re just going to sell it from underneath them, they feel that, you know, something’s been cut off... (RO)

The case studies therefore suggest that the ability to see real property as a means of delivering mission is severely constrained by governance capacity, property management skills, a strong sense of personal ownership by members and the level of trust members have in their managers and other actors (such as government). Thus when professional managers were appointed, they often encountered opposition to new organisational practices from members or volunteers:

The very first thing that somebody said to me when I took this job is ‘We are not a business; we’re about fun and friendship’. (RO)

The FO interviewee indicated that parishioners held “a degree” of distrust in the broader church leadership and administration, manifest in a rejection of the expertise and motives of corporate headquarters. Yet the burden of maintaining the assets, meeting regulatory requirements and covering insurance costs consumed a large part of fundraising, taking volunteers and funds away from the primary purpose of the organisation:

Are we property managers, or actually here to... deliver a program? ...We spend a lot of time and energy trying to maintain assets that we actually have no ability to do. Halls are left to deteriorate over time. (RO)
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The distraction of property management led to one of the mental health services concluding that it should not own any property, leaving it free to concentrate on core functions. As a consequence, it was in the process of disposing of all its real property, including residences and offices. This decision was influenced by government service agreements with NFP organisations that include a rental payment component. In this way, this MHS was able to separate the provision of service imperative from the holding of real property asset philosophy.

The other mental health service specifically identified its real property as an important contributor to its financial stability because revenue from government contracts lagged behind the organisations cash requirements to deliver those service contracts:

We’re very lucky as an organisation because historically we have a strong asset base. It’s nothing more than history...It’s actually one of the things that is allowing us to grow at the moment. (MHS1)

This view that real property assets provide alternative income and/or security for borrowings to support business growth is enlightening. The typically short duration (1-3 years) of government service agreements with NFP organisations, is not regarded by commercial lenders as an adequate basis for borrowing (Productivity Commission, 2010) and could expose the organisation to financial risk. The three other case study organisations, which still held property assets, however, shunned debt, even where it was available at zero interest. This supports the contention that, not only are NFP
organisations assets often physically under-utilised, their financial value is not optimised.

The key issues uncovered via this exploratory research process thus far have been the recognition that specialist property and asset management skills are required to address both the day to day maintenance and longer term strategic position of assets; the burden of assets with no financial return and declining social returns; and the emotional attachment to some assets by members: these are special places to which members attach personal ownership and not merely utilitarian service provision spaces. The research questions therefore now shifts to consider: in the face of these structural challenges, is it feasible for NFP organisations that have not been involved in affordable housing provision to make a contribution in this sector? In the next section the findings from our exploration into the relationship between NFP organisation’s physical assets and affordable housing provision, from the perspectives of the interviewed organisations is documented.

5. Responding to opportunities for affordable housing provision

The interviews with each of the five NFP organisations revealed deep concern with the impact of declining housing affordability on vulnerable groups in the community. The interviews also uncovered a surprising range of experiences and connections with housing provision, despite none of the interviewed organisations service models explicitly including the provision of housing services.

The interviews revealed contrasting strategic approaches, exemplified by the two MHSs. Both of these organisations stressed the importance of stable and appropriate
housing for their particular client group. For MHS2, a focus on core service objectives entailed property divestment. In contrast, MHS1 chose to retain its property portfolio, partly as a financial strategy, and partly to explore how these assets might fit into contemporary service models. Each organisation recognised that their assets were only capable of providing housing for a very small number of people, in the face of a much greater need.

*It's not an un-contentious issue within the organisation, or probably within our board...if I just take [property A], which we're looking to sell, if we realised a certain amount of capital, would we reinvest that capital in a way that enhanced housing access? (MHS1).*

In a policy and service environment based on de-institutionalisation, the mission of these organisations is to support clients to live in the community. Public housing has been the primary tenure available to this group, but disinvestment in this sector has reduced availability and options. The corresponding increase in community housing has not taken up the demand, leaving private rental as the main housing source with affordability a major problem, especially with affordable inner urban property “as hard as hell to obtain” (MHS2).

The FO identified surplus and under-utilised property assets on a number of its well-located sites. Discussion about using these assets for housing initially arose within the organisation because of the number of insecurely housed international students attending services or pastoral events, who were perceived as being a very isolated group. Housing provision was also raised in relation to ex-prisoners. So while the
congregation could identify groups in their community who required assistance, the bigger issue remained gaining consensus about rationalising the assets and reinvesting in affordable housing.

The rural health service (RHS) owned property assets on both freehold and on crown land. These include residential properties in addition to clinics, aged care, acute care and offices. Some residences were a legacy of an earlier era in which accommodation was tied to staff positions, some dwellings were acquired with a view to expanding the health facility campus, and another house was purchased with state and federal funds to house students on clinical placements.

The nexus between housing needs and health needs was explored by this organisation through the potential development of independent living units, but the plan was not financially feasible. Similarly, the RHS had also pursued the potential to acquire some public housing units adjacent to the campus, to expand the housing choices available to age pension dependent former farmers to enable them to retire in town rather than further afield.

*I'm more concerned about the ones who can't [afford housing]...and haven't got anything to sell up when they leave...there will be the argument that why do we have to look after those people...*(RHS)

Population retention in smaller townships is a critical issue for maintaining viable services. The township had few serviced blocks available that would enable new residential growth. The health service had a substantial but undeveloped land holding
which it recently sold to the local shire council, with an agreement that the council
would service the blocks and sell them, at cost, thus providing substantially cheaper
serviced land for people seeking to build their own house.

_We’ve tried to play a role by making sure that our demands for the land
weren’t, you know, too greedy... in essence [we were] supporting
development in the town as opposed to trying to maximise the return that we
got for the land._ (RHS)

In summary then, four of the five case study organisations, had been actively engaged
in debate about affordable housing. The fifth, the RO, had not, but they had explored
the development of a retirement village on one rural site. When asked about the
potential for their prime urban sites to be redeveloped to provide space for both the
organisations activities and housing for its volunteers, the response was framed in
terms of the organisations mission:

_The average age of our volunteers would...be mid to late forties...[they] have
been [members] for forty, fifty, sixty years. We’ve got a responsibility to them
as well...I don’t necessarily put the two together, the assets and the
[volunteers], but actually I have a duty of care for them as well._ (RO)

6. Challenges and barriers

There are limits to the extent these findings can be generalised, and clearly the
discussions were steered by the researchers declared interest in exploring the nexus
between property assets and affordable housing. Notwithstanding this, the resonance
of this topic with the interviewees was striking, and is substantiated by the engagement of their organisations with the field. This research suggests that the interest of at least some of the organisations was not framed in hypothetical terms, but rather by the various dilemmas in seeking change. From the exploratory data it is clear that some NFP organisations face challenges in convincing their constituents of the merits of change. The forthright message delivered to the incoming CEO of the RO – 'we are not a business; we’re here for fun' – makes that clear. However, the ruthlessness showed by the Uniting Church of Australia Synod of Victoria and Tasmania in the face of concerted opposition to its 2013 assets sale (Zwart, 2013) conceded little to such sentimentality, or provided opportunities for local decision-makers to explore alternative change scenarios.

The NFP organisations interviewees raised four key barriers to realising the repurposing of community assets for affordable housing. Three of these were on the supply side: expertise in property management and development, organisational capacity, and development financing.

_We’re looking for [housing] solutions...but expertise is an issue._ (MHS1)

_There is a lack of expertise in the organisation; we have just one part time lawyer [to handle the leases]._ (RO)

The fourth key barrier identified was on the demand side: the limited financial capacity of buyers or tenants. Implicit in each interview was that the organisations did not have the capacity to fully fund affordable housing provision.
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[I] can’t charge a full commercial rental rate for those people because they can’t afford to pay it...It has to be an altruistic venture or it isn’t going to work. (RHS)

For the RO and FO, lack of strategic asset management skills reflected organisational structures that are ill equipped to deal with their property portfolios. The RHS and MHSs, as publicly funded and accountable services, have more developed corporate capacity in this area. The supply-side barriers to repurposing assets are summarized in Table 2.

[INSERT TABLE 2 HERE]

It is quite likely that the interviewed NFP organisations reflect a more general problem. While property management services are widely available and accepted as the norm in other sectors, and concomitant professional groups have developed in those sectors, it does not appear that there has been any analogous growth in the non-housing NFP sector. Our Community[2], for example is a NFP organisation that supports 600,000 Australian NFPs and schools with advice, tools, resources and training in a range of business and leadership services, but it does not provide any strategic asset or property management advice, tools or training. It is also telling that mandatory accreditation schemes in the community sector do not cover property management other than in relation to some basic occupation health and safety issues.

7. Limitations
This research has clear limitations. The small scale of the study limits generalisation from the research findings. However, the findings point to an opportunity for innovation in affordable housing supply by bringing surplus or under-utilised well-located land into the equation. Determining the scale of this opportunity requires further research, which as outlined earlier necessitates methodological investigation of how to identify NFP organisations land holdings, and how to theorise NFP property asset productivity. Again while not generalisable this exploratory study suggests a need to examine more fully the non-housing NFP sector’s capabilities in regard to both strategic and operational property management.

8. Conclusion

The ACT government housing strategy, discussed in the research paper’s introduction, indicates that policy around the repurposing of NFP organisations physical assets for affordable housing is advancing beyond the research base in this field. This research indicates such policy could have high rewards. Four of the five NFP organisations interviewed for this exploratory study, who although not principally engaged in housing provision, but holding land and property assets, had already specifically examined the nexus between their assets and affordable housing, and all five were willing to consider becoming partners in the delivery of affordable housing.

*Partnership* is referred to deliberately here. The case studies suggest that a range of institutional and structural barriers would need to be overcome for affordable housing developments to occur on surplus or under-utilised NFP organisations land holdings. These include internal organisational issues relating to mission, change management
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and organisational renewal. These barriers, though, could be more easily overcome with external partnership support in the area of planning, finance and property development.

Two propositions are put forward that could be tested through further research. The first responds to the different affective or emotional investment in property assets held by the membership organisations and the service providers amongst the case study organisations. Heywood et al., (2010) found in their research on local government assets that emotion could strongly influence asset strategy. This research suggests this was clearly the case for the membership organisations, whereas the service providers viewed their assets in more fungible and service-directed terms. In this light, further research may indicate whether developing new institutional models such as a land trust system that enabled asset retention would find membership support, and local community buy in, for the new land use.

The second proposition suggests that the role of community infrastructure brokers, currently operating at local government level in Victoria to facilitate timely infrastructure delivery in new urban growth areas, could be adapted to work with NFPs in suburbs with in-fill development opportunities. The NFP sector’s past record suggests a range of partnership possibilities, involving other NFP organisations, governments and business organisations (Barraket, 2008). Such partnerships would be built around a policy position that acknowledged the value of retaining land in public or community hands, to foster institutional pluralism and innovation, encourage community buy-in, and preserve future policy options.
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Clients who had presumably stabilised and who were no long receiving formal ‘support’ but who may have been receiving some assistance from MHS1