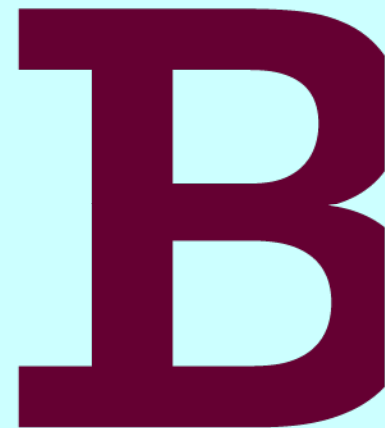


**Organising Non-Profit
Housing:
Some European Experiences**



David Mullins, Professor of Housing Policy
Australian National Housing Conference, Sydney, February
22nd 2008

Outline

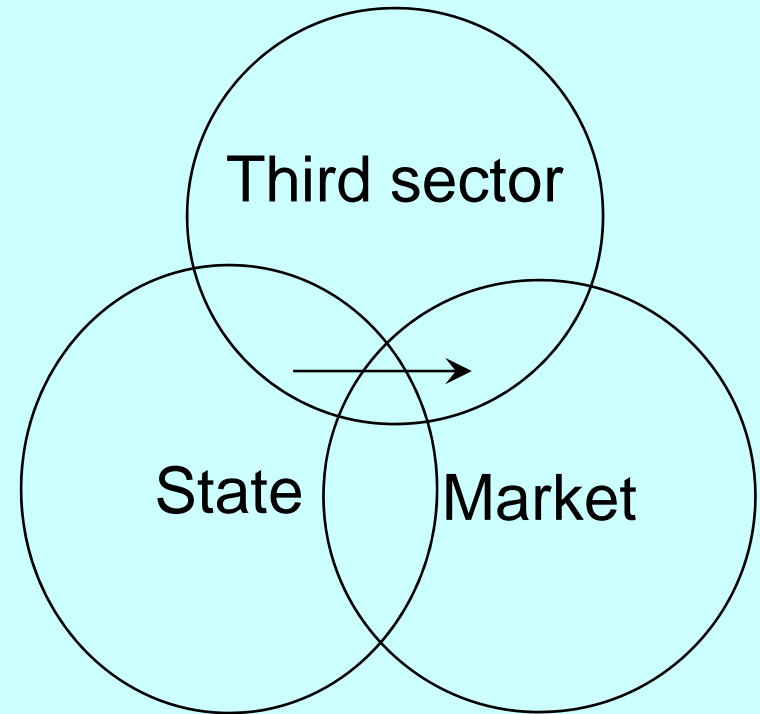
- Introduction
- Beware what you ask for: European Experience(s)
- Focusing on Organisations
- Seven Strategic Dilemmas



Lozells, Urban Living Market Renewal Area, Birmingham

Growth of third sector

- An international trend
- neither state nor market
- social purposes
- non-distribution of surpluses
- independent from public sector
- Borrowing not part of public spending
- Filling gaps in welfare?
- Connecting with civil society?



Comparing Experience(s)

- Extent of dominance of market housing
- Market share of non-profits in social housing
- Relationship with state housing agencies
- Niche Roles (management, communities, construction, commercial activities)
- Ownership of assets
- Access to funding for construction
- Regulation
- Relationships with private sector

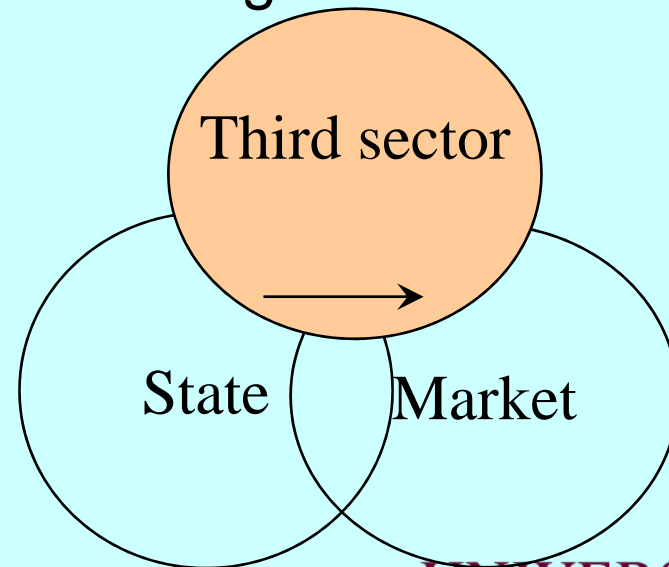
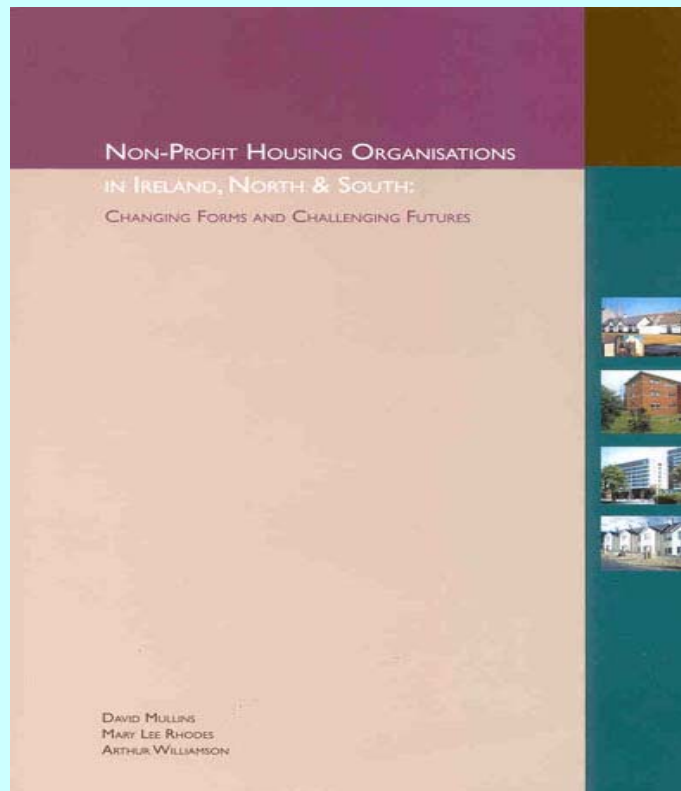
Non Profit Housing Market Share

	Share social housing all dwellings	Estimated share in NFP sector
Netherlands	35%	99%
France	17%	92%
United States	5%	69%
Canada	7%	67%
England	18%	50%
Australia	5%	11%
Ireland	8%	13%

Source: Lawson and Milligan 2007, modified Mullins, 2008

Ireland – similar but different to Australia

- 330 HAs & Coops
- 15,000 homes
- 13% of social housing
- Average size 40 homes
- Largest 2000 homes
- Niche communities & management roles



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Beware what you ask for– you might get it – perils of staying put

Maintain a voluntary and co-operative sector ethos

- Resist organisational regulation
- Continue to register new HAs
- Strong mutual housing sector & third sector networks

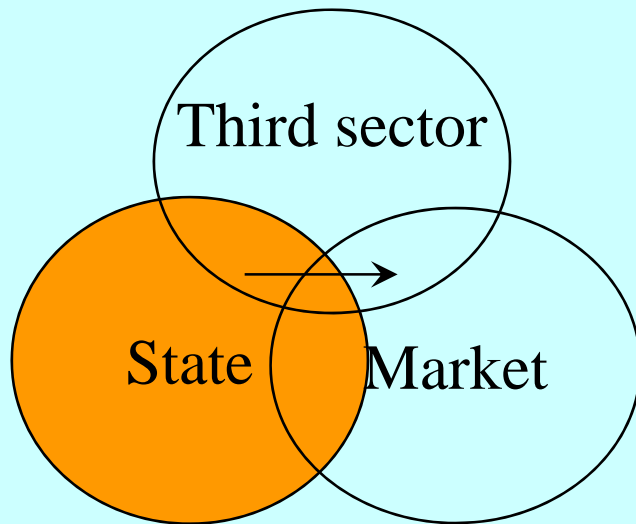
Impact

- 1990s drive to expand supply most new development by the few larger associations (some from NI)
- HAs still in shadow of public housing; LAs as funders, regulators and competitors
- HAs own assets but rental income insufficient to fund long term investment (year 17 gap)



England: State driven but mixed funding

- 1500 HAs 2.3 million homes
 - 50% of social housing
Average size 1750
 - 30% of stock with top 20
 - Largest 50,000 homes
- £35 bil private borrowing matches £30 bil public funds
 - Gross asset value £68 bil
 - Annual turnover £8.3 bil



Diverse origins: Philanthropy

State funded expansion 1974
monopoly new social housing 1980

Private funding since 1989
'the most successful PPP'

Stock transfers from 1988, main source of growth after 1997.
Efficiency drive promotes mergers & split between build & manage niches

2004 market entry by private competitors
2007 Cave regulation review



Beware of what you ask for – you may get it – perils of state funding

HOUSING BILL
BULLETIN
9 JANUARY 2008
CAMPAIGNING FOR YOUR INDEPENDENCE

Eight key threats to vital work of housing associations are contained in proposed legislation

Federation warns of Housing Bill threat

COPY FOR YOUR INFORMATION



David Orr

The National Housing Federation has warned that the Housing Bill, currently going through Parliament, represents the greatest threat ever to the independence of housing associations.

While the Federation has welcomed many measures in the Bill, it believes that certain clauses could change the face of housing associations for ever – and undermine the sector's drive to build new homes and deliver diverse neighbourhood services.

As the Bill currently stands the key dangers are:

- The potential end of the independence and authority of housing association boards
- The resulting threats to the sector's ability to borrow, stretch public subsidy and deliver more new homes
- The threat to innovative housing association neighbourhood services, because of the envisaged level of regulation
- The threat that Ministers would 'passport' central government social policy into housing association run neighbourhoods
- The financial burden of additional red tape
- The threat that housing associations would have to pay a combined £20m each year to fund the new regulator, the Office for Tenants and Social Landlords (OTSL)
- The threat that private developers building low cost homes would escape the regulation that housing associations would be subjected to, creating an uneven playing field
- The threat to the non-public status of housing associations, because of the excessive regulation and state control that are proposed.

Federation staff have held a number of meetings with Ministers and CLG officials and explained the dangers in full. However, the Government has made it clear that it is determined to drive ahead with the Bill substantially unchanged.

Federation chief executive David Orr said: "I have had a number of conversations with Ministers, and CLG officials, and told them plainly what the threats in the Bill are – but they seem unwilling to alter the damaging clauses."

"This is unfortunate because, while we support the Government's renewed focus on housing, the Bill could wipe out much of the independence of every housing association in the land – the very independence that has been key to our success."

Inside | What we say about the Bill | page 3 | Action you can take | page 4 | NATIONAL HOUSING FEDERATION

- Nov 2007 Federation Welcomes £8.4 billion for social homes' – could reverse decline in social housing output since 1992/3
- Jan 2008 Housing Bill 'represents the greatest threat ever to the independence of housing associations'

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Netherlands: Financial independence

2.4 million dwellings

- 35% market share
- 99% of social housing
- 492 Housing associations

Average stock 4.900

– Largest: 70.000

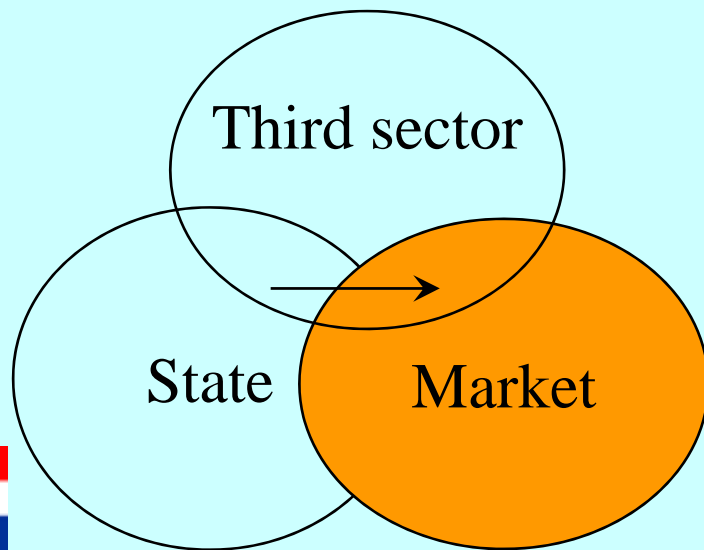
- Assets EU 90 bil (existing use), EU190 bil (open market value)
- Construction and management niches
- Neighbourhood focus & increasing scale

→ tensions



Phases of State/Market Influence

'sector has moved from charity sector up to 1950s to state social model 1950-80, to market from mid-1980s. Now there is a further transition as it is seen as too commercial and forgetting the people- this phase can be labelled societal enterprise or society engagement'



Diverse civil society origins

1901 Act
Charity Model

1950s
State Incorporation

1990s Public Subsidy Ends
Floated with inherited assets

2000s social enterprise identity



Hybrid Model



De Hoogte/Korrewegwijk, Groningen (photo G van Bortel)

- **1995 Sector floated off** with historic assets, no future capital subsidies
- **Commercial Logic**
 - Portfolio managed: free to sell & replace
- **Robin Hood principle**
 - Social investment
- **EU intervention**
 - Commercial activities taxed - level playing field for private competitors



Beware of what you ask for – you may get it – perils of independence

- 10 years of independence and asset strength outside Government steering make HA sector vulnerable to criticism and retribution
- ‘Nov 2007 Dutch parliament levies corporation tax on all activities by housing associations de-facto reducing them to regular commercial companies’
- **Taxation of social as well as commercial activities could challenge Robin Hood model & remove external incentive for social action**



Identifying Relevant Learning

□ Housing System Level

- Demand/Supply side subsidies
- Agent mix (market, public, NFP)
- Regulation style and impact
- Linkage with labour markets '*does social housing stop people getting jobs?*'

□ Organisational Strategy Level

- Less developed in comparative research
- Decision making and priority setting
- How do NFPs negotiate state and market drivers?

Focus on Organisational Strategies

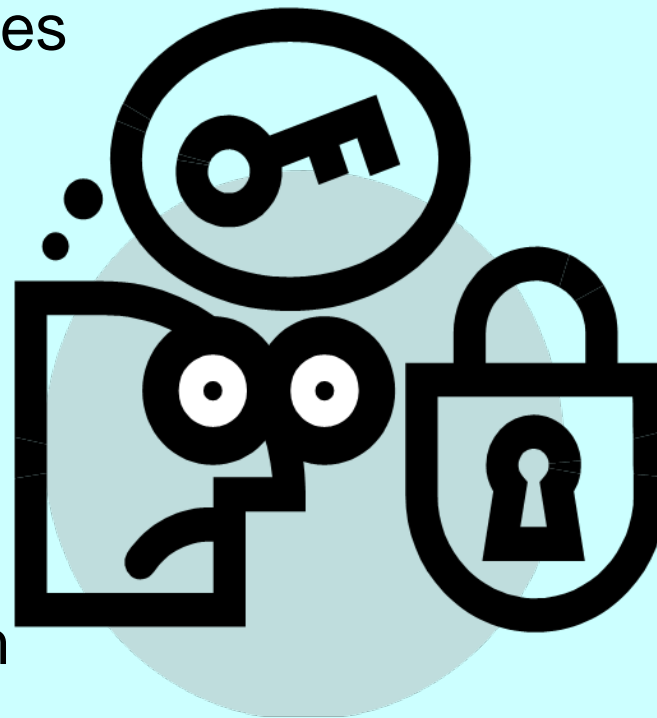
- Delphi Futures Method
- Expert Panel
- Identify Most Important Change Drivers
- Map most important strategic responses
- Use to identify dilemmas



Mullins, Using Delphi. Housing Studies (2006)

Seven Strategic Dilemmas

- Independence v State Funding
- Social v Commercial Purposes
- Core Business v Product Innovation
- Vertical v Horizontal Accountability
- Mergers v Alliances
- What Size Fits Best?
- What core values distinguish NFPs from market sector?



Dilemma 1: State Funding v independence



“if they’re going to do it, we’re going to be there” (1974)

*“As grant rates get lower the deal with government is less attractive...having no control over who lives here is no good. Interested in investment models **not** dependent on public funds.” (2007)*

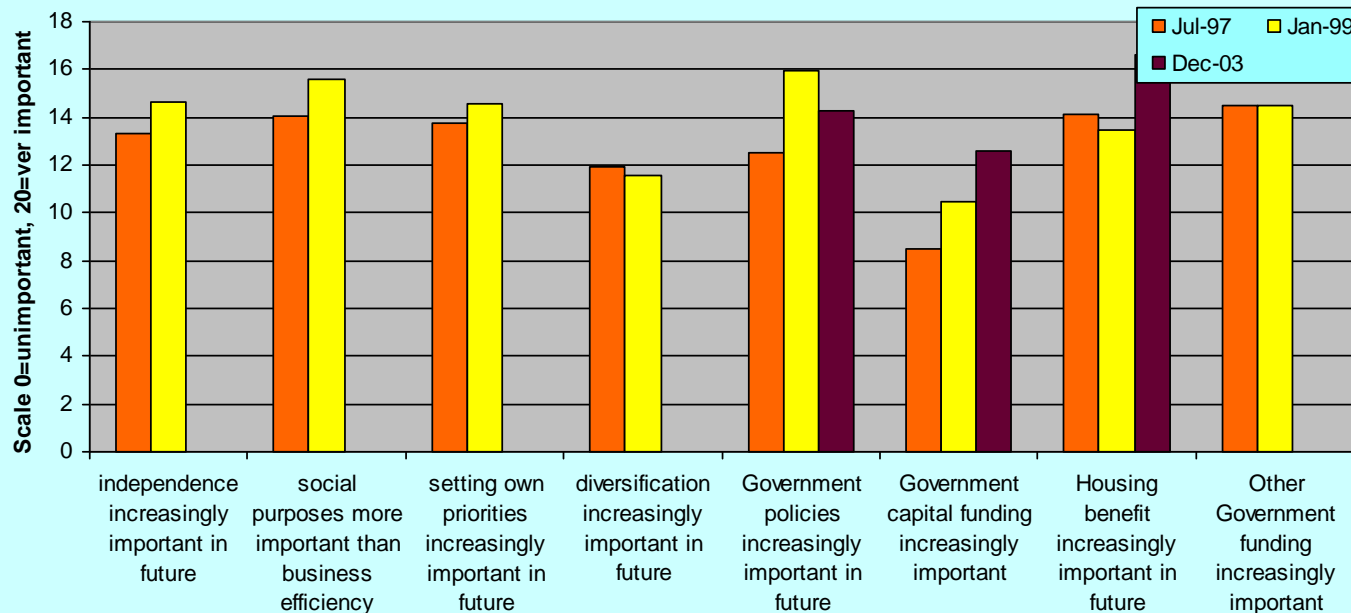
State Capacity building lays foundation for later independent decision making

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State policies the key future influence for English HAs

FIGURE 4.5 FUTURE INFLUENCES ON HOUSING ASSOCIATIONS



Source: English HA Delphi Panel 97-2003

Dilemma 2: Social v Commercial Purposes

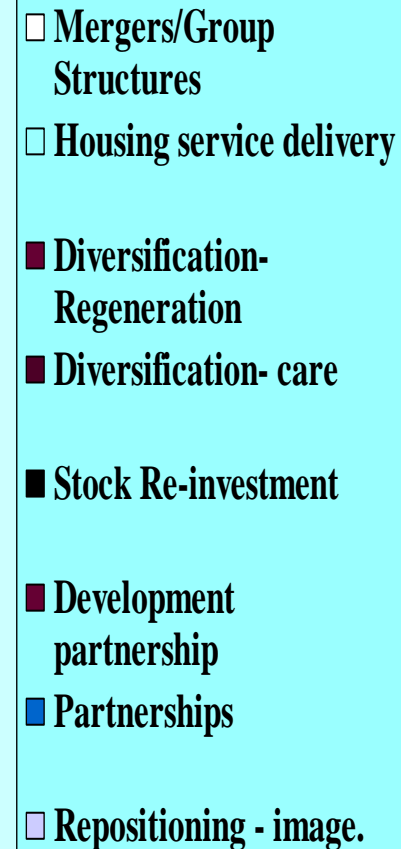
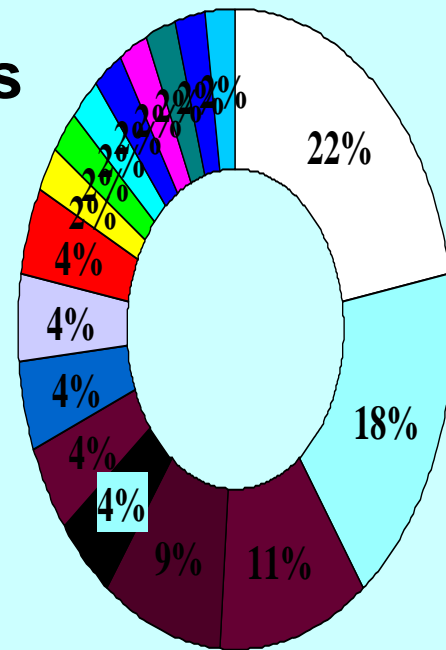
□ Make the change from public to private identities

- Manage business risk
- Shift culture/accountabilities
- Assets focus or people focus?

□ Develop Business Strategies

- Mergers
- Diversification
- Customer service

FIGURE 5.1 STRATEGIC DECISIONS JULY 1997

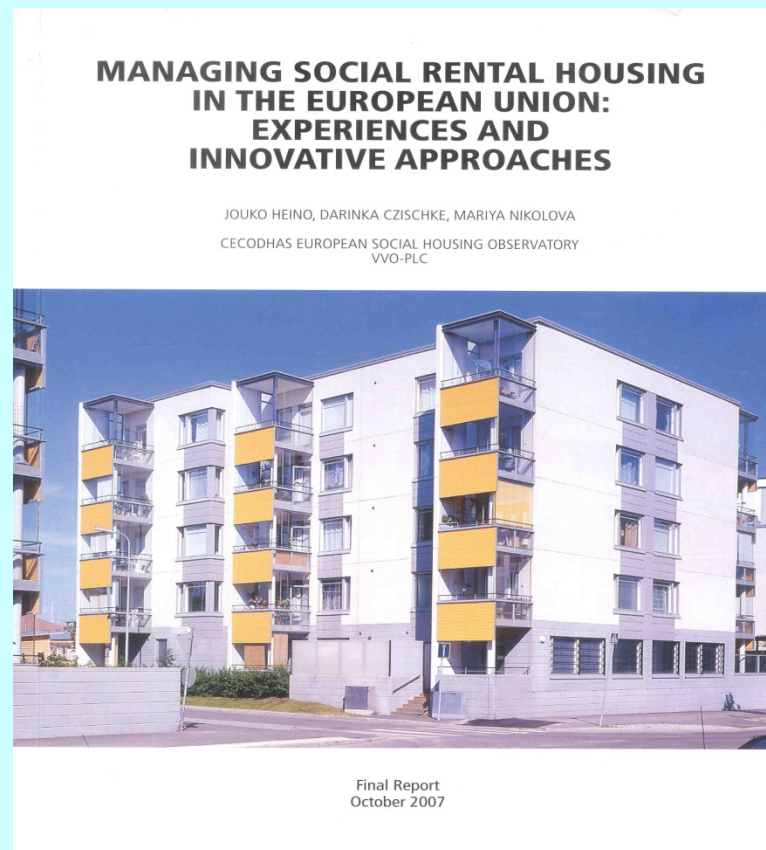


Source: What are Housing Associations Becoming (2000)



Commercial Drivers and Retreating States

‘State withdrawal from welfare provision is leaving a gap...decreasing state funding and increasing competition causes them to be more business oriented. The tension between social and commercial objectives remains an issue to be resolved’



Source: Conclusion to **Managing Social Rented Housing in the European Union.**
CECODHAS Social Housing Observatory, 2007

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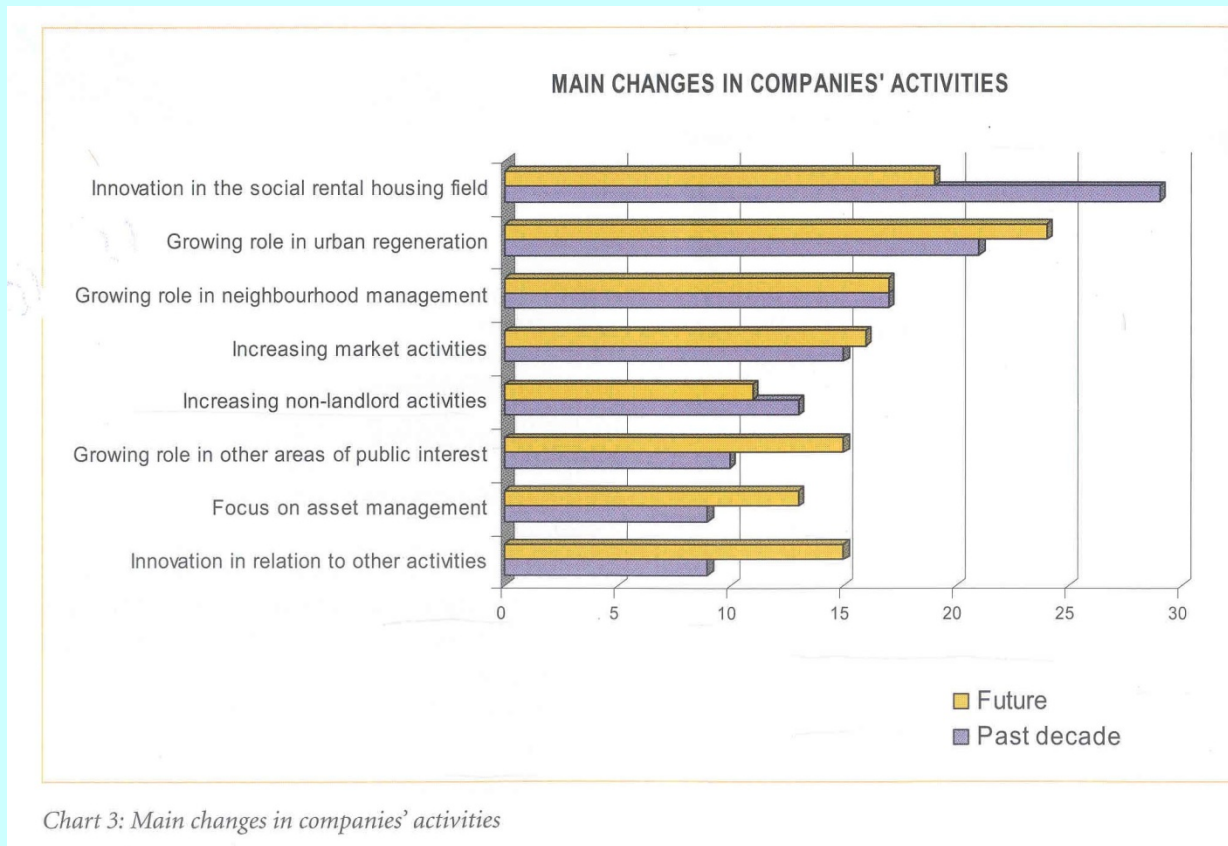
Dilemma 3: Core Business v Product Innovation

□ Diversification in England

- 15% HAs own/manage **non-social housing**
 - **market rented**
 - **Student housing**
- 19% have other **non-housing activities**
 - link to landlord role (care, **regeneration, selling corporate services**)
- Other wider activities include:
 - **Charity shops, nurseries, youth projects, employment training**
 - **Buy local, social enterprises**

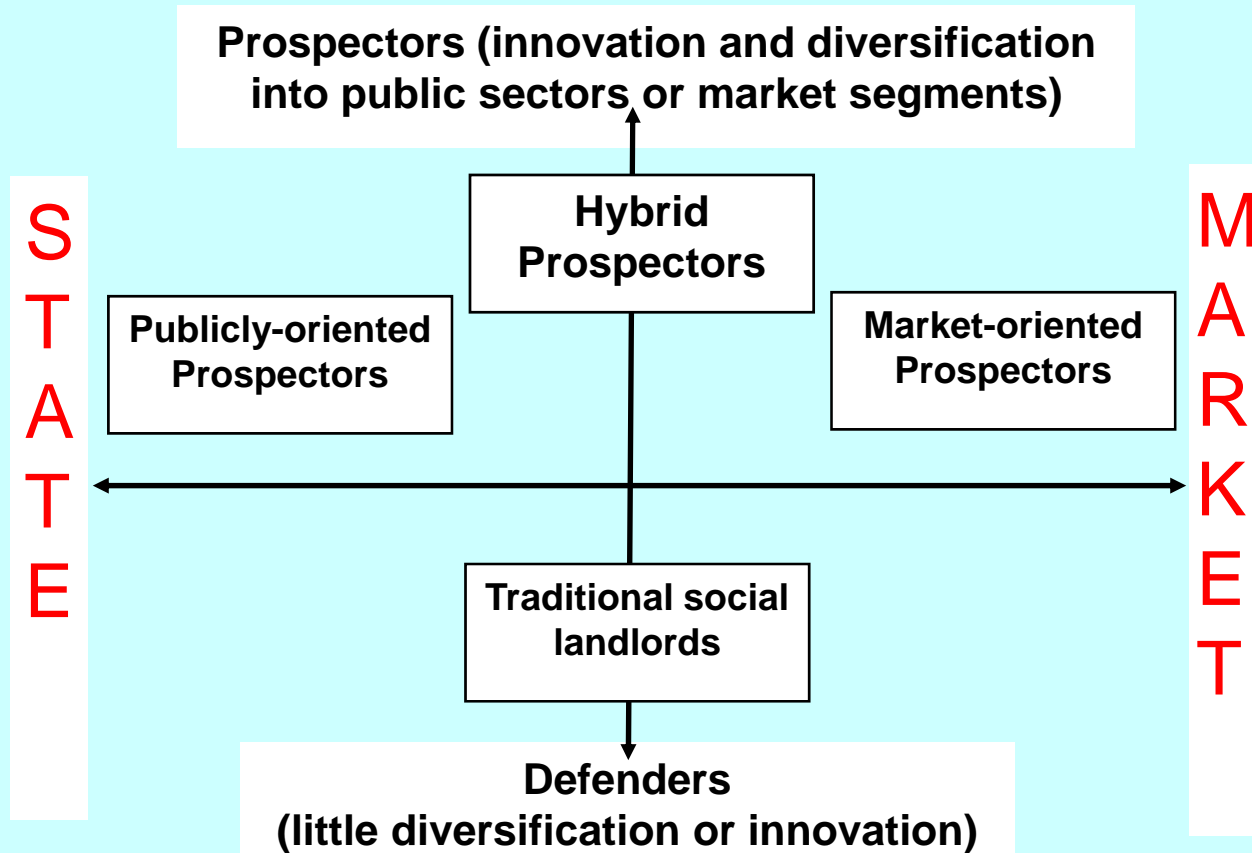
Source: Housing Corporation Sector Study 43 (2005)

Urban Regeneration & Neighbourhood management role grows across Europe



Source: CECODHAS Survey (2007)

Netherlands: same frontrunners involved in commercial & social innovation

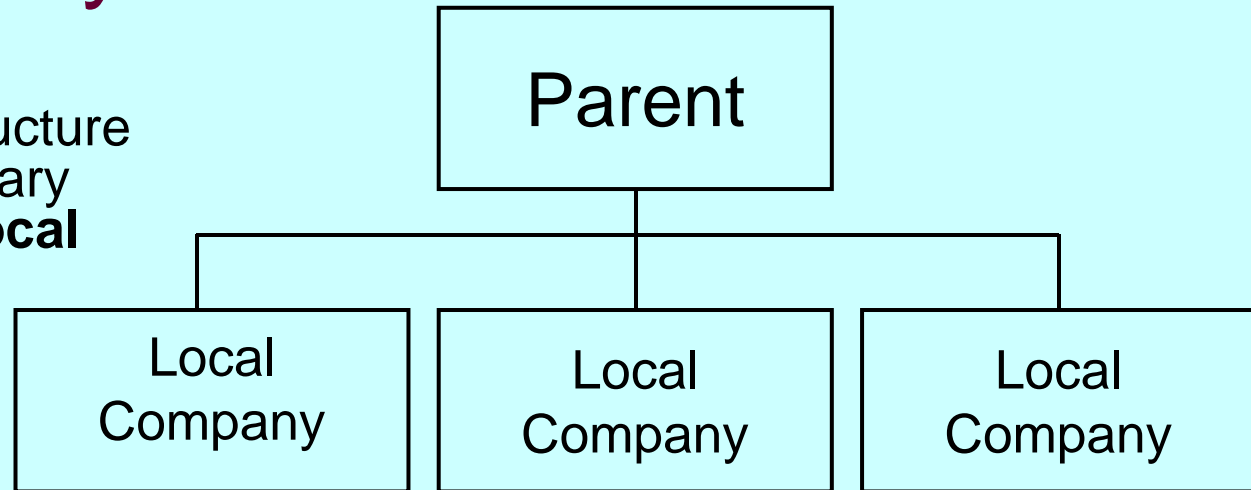


Source: Gruis 2008 Business Concepts for Social Housing



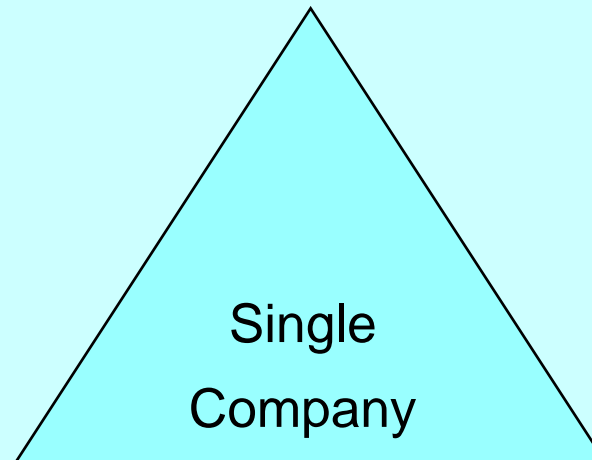
Dilemma 4: Vertical or Horizontal Accountability?

- Develop a Federal Structure to attract further voluntary partners & **maintain local links**



- *But “politics and promises often fail to meet operational needs”*

- Streamline and consolidate structure to maximise efficiency savings & increase **national influence**



Horizontal Accountability



'Put your best people in the neighbourhoods and get them to listen good'

- Part of the Third Sector
- Preserving local ties
- Supporting civil society
- Using central services capacity
- Spreading expertise
- Genuine sector leadership

Coalition Builder Models

- Core: satellite
- Network governance

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Organisational Logics for Community Focused Housing

LOCAL ANCHORAGE

- One of Us
- Dependable
- Aware of what's going on
- Accountable: easily found, takes responsibility
- Responsive – can be influenced but not taken for granted

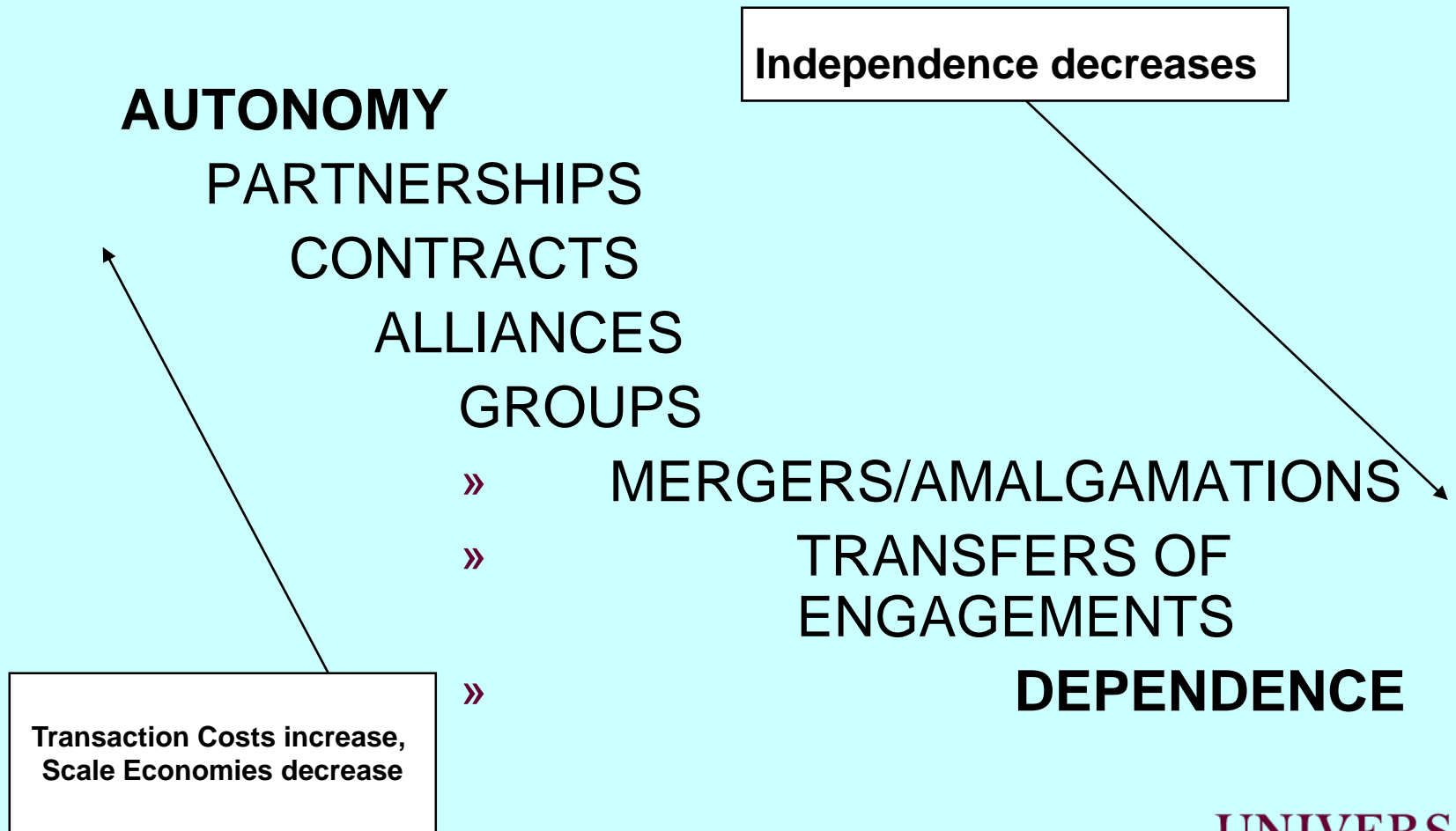
ORGANISATIONAL STRENGTH

- Capacity to Manage Complex Projects
- Results orientated
- Connected to Wider Society
- Open to new ideas
- Street wise –influential

Based on van Bortel, Gruis, Mullins and Nieboer , 2007



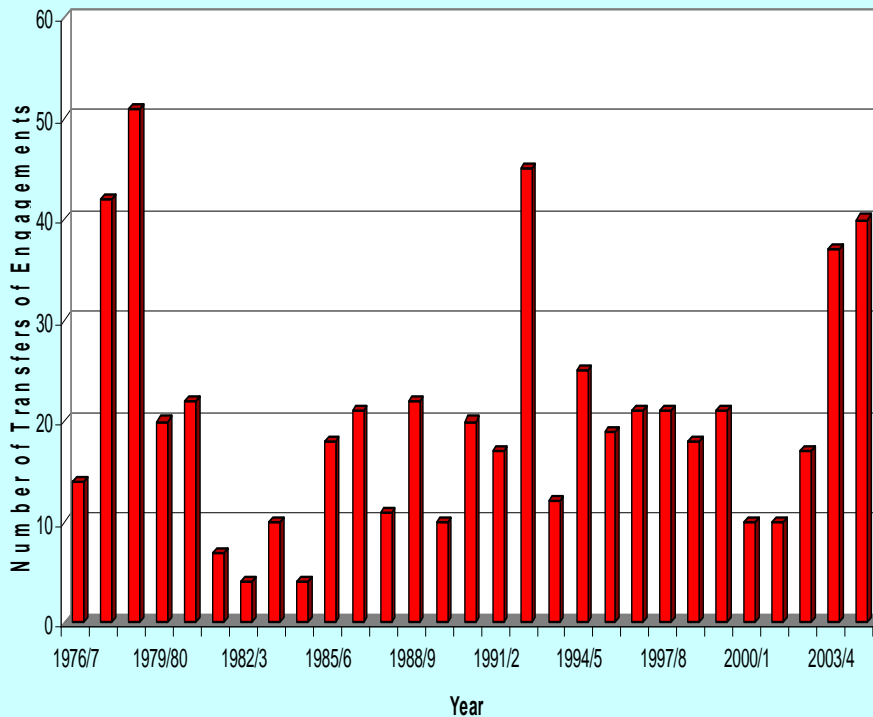
Dilemma 5: Mergers v Alliances



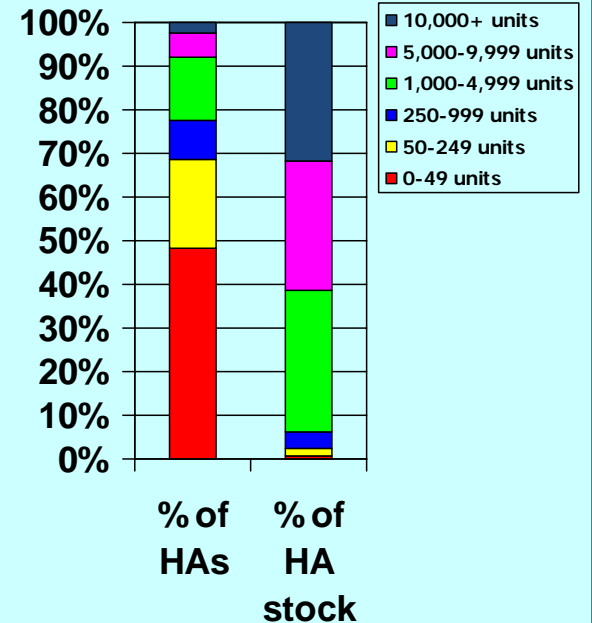
Source: Mullins and Craig (2005) Testing the Climate

‘Merger activity was fairly steady until about 2 years ago then it took off’

Mergers Approved by Housing Corp 1976-2005

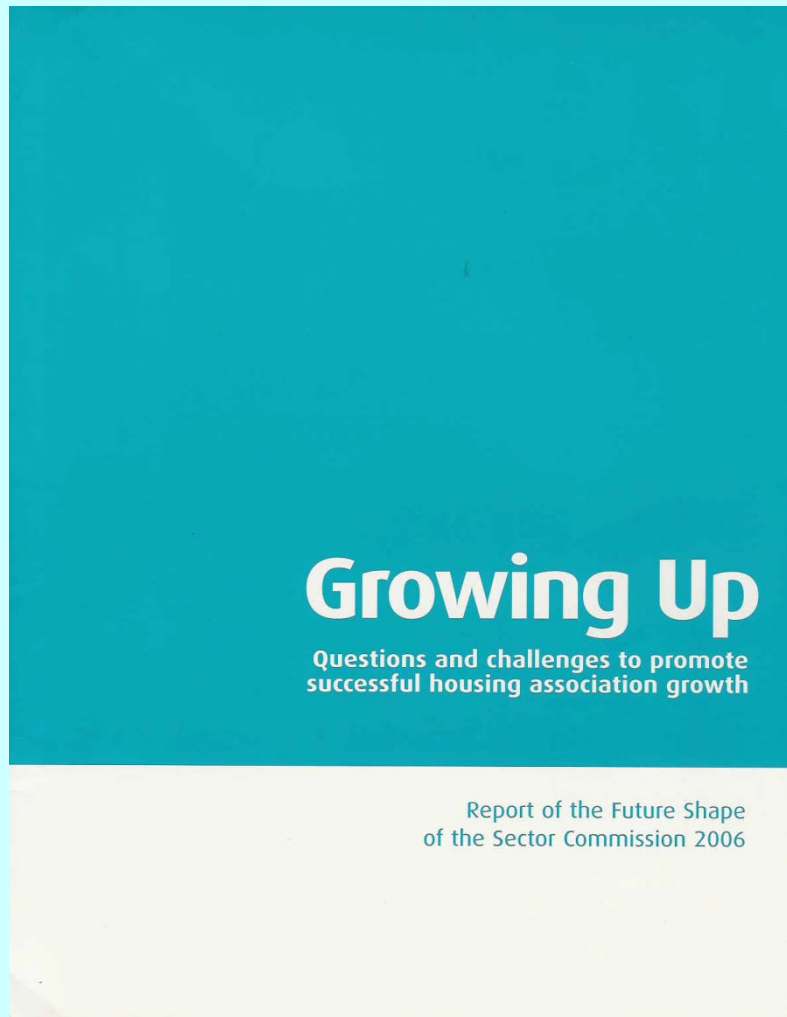


Structure of HA Sector in England



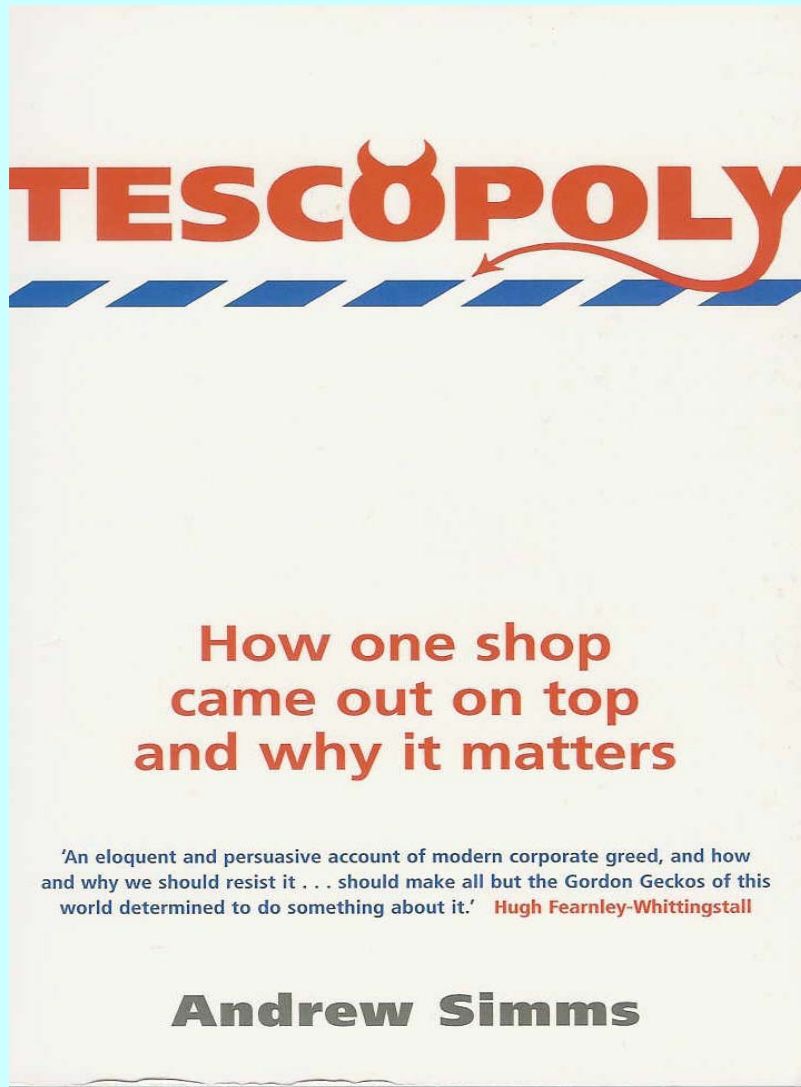
Sources: Mullins and Craig (2005), Pawson, (2007)

Dilemma 6: What Size Fits Best?



- 20 largest HAs (with 25,000+ homes) =33% of total stock.
- *'there is a real difference between managing an organisation of 30,000 ... one of 50,000 homes'.*
- *need new 'structures, methods, technology and mindsets' to operate effectively.*

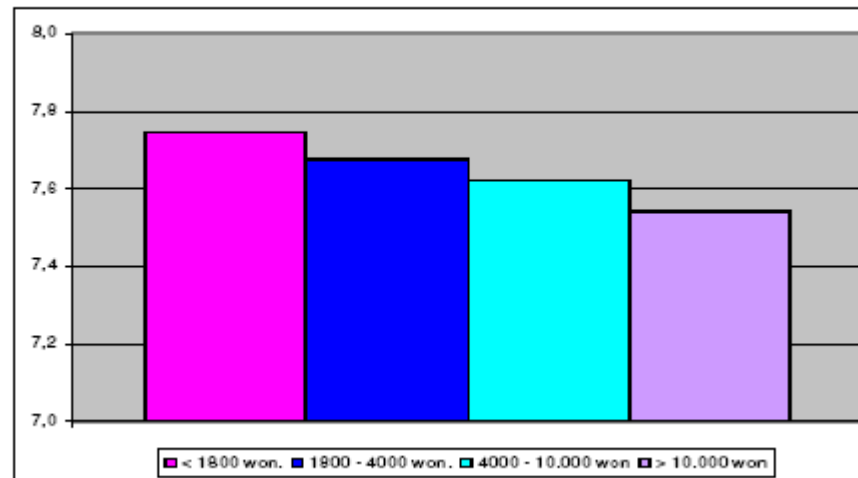
Increasing Scale and Influence



- Supply Chains
- Influence
- Relationships
- Partners
- Communities
- Diversity
- Shape of the Sector

Tenant satisfaction scores decrease with size of association

Grafiek 5: Gemiddelde totaalscore KWH-Huurlabel (2005 – 2007/1) naar grootte³



Source: KWH 'Rent Label' Benchmarking Data



One size doesn't fit all purposes

- ***'The tide is turning against large organisations'***
- ***'The main advantage of large scale is to compete with the top 10 real estate developers in the Netherlands'***
- ***'Scale is not so important for housing management efficiency'***
- ***local business units each with around 5000 homes'***

Source: Interviews with Dutch HAs (2007)

An optimum scale for activities?

- Housing management and maintenance 1,000–5,000
- Stock investment or major repairs >5,000
- Commodity procurement 500–2,000
- Development Investment Partnering >7,000
- Full range of financial skills >5,000

Source: Is big really best? CIH (2005)

Dilemma 7: Competing with Market Sector?

‘in ten years time you will not be able to tell the difference between a large developing housing association and a private developer active in social housing’

- Quite limited head to head competition with market providers in either England or Netherlands
- But close connections (PPPs, Investment partnering, Planning Gain, management contracts)
- Will this force NFPs to clarify distinctive core values or seek level playing field with private sector (e.g. find common cause in reducing regulation)?

Final Message – Stick to your core values

- ***‘housing associations need to rediscover our original founding purpose. The prospect of becoming large multi-million pound businesses may appeal to some but it should not be at the expense of our voluntary community distinctiveness’***

Source: Northern Ireland Federation of Housing Associations Annual Report 1998/9

