

Curtains for public housing

Author: Tina Perinotto
Date: 09/05/2006
Words: 541
Source: AFR

Publication: The Financial Review
Section: Property
Page: 56

When former UK prime minister Margaret Thatcher privatised public housing stock she did it to get rid of an element that didn't sit well with her economic rationalist regime.

At the same time, she handed public housing tenants a brilliant gift.

Today the council authorities that inherited these massive property assets have \$35 billion (\$84 million) in borrowings leveraged against those assets, have substantially added to the stock levels, have developed a great financial reputation with no defaults on borrowing and are now issuing their own bonds.

Ken Marchingo says there is no other way for public and community housing to go in Australia but to follow suit.

As chief executive officer of the Loddon Mallee Housing Services, a smallish housing authority from the central western district of Victoria, Marchingo is on a mission to get Australia ready.

From a position of standing start he has organised a series of meetings between 20 community housing groups, including the biggest in the country, to prepare a platform for handling and leveraging assets in public housing.

Key to the plan is to develop a national "brand" that can go to the capital markets with huge borrowing requirements and is big enough to strike favourable wholesale deals, negotiate development contracts for new stock and facilitate national policies on affordable housing mandated in private development projects.

The new organisation is so new it still doesn't have a name.

But Marchingo reckons the time is ripe. It just has to be.

"Nobody we've approached has told us it's a bad idea and walked away," he says.

"They're saying, 'we get the gag and we want to be in it'."

Co-ordinating the push is Larry O'Brien, who works out of an office in Sydney so he can start to build better links in the property industry.

The industry is confident of the timing, Marchingo says, because the grim reality of public-housing failure has become increasingly obvious, especially during the last housing boom.

There are a number of factors at play.

First is that public housing assets on state government balance sheets look more and more like liabilities.

The "kamikaze" policy of reserving public housing for the people on the lowest income means a shrinking pool of funds to maintain or add to stock, Marchingo says.

The policy also shuts out the 3.3 million households who earn between \$15,000 and \$60,000 and still can't afford to buy housing in the big cities, according to Australian Affordable Housing.

Incentives, such as first-home owners' grants, and rent assistance, have also failed.

Signs of a change in tack are emerging. Victoria and NSW have been slowly implementing systems and legislation in readiness for handing over assets, Marchingo says.

NSW, with around \$28 billion in public housing, has an accreditation process for community housing groups. Victoria, with around \$18 billion, has been heading in the same direction.

And there is the move to inclusionary zoning, where developments must include a certain proportion of affordable housing and which Marchingo says will become a reality in all states and territories in the next few years.

"The time has come . . . it's been rattling around for 20 years."