

## **Sustaining our housing – adaptive asset management meeting diverse needs**

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Modern-day social housing is challenged by demand for a widening range of housing products from an increasingly diverse client group. State Housing Authorities (SHAs) need to not only manage existing housing stock portfolios, largely designed and built for a previous time and set of household types, but also to meet this demand in a diversified way with new and improved housing solutions.

Released in December 2004, *Sustaining our housing* is the asset management strategy for the Office of Housing, Victoria. The strategy was developed to properly link asset management activities to the broader strategic objectives of social housing in Victoria. The Strategy's principal aim is to achieve a sustainable social housing portfolio capable of adapting to the changing demography in our population.

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## **Sustaining our housing – adaptive asset management meeting diverse needs**

The role of social housing asset manager in Australia has never been more challenging. Compounded by an aging asset portfolio, the asset management “job” includes planning for and delivering to complex service demands, a diverse and changing client base, a difficult funding environment, and increasing public expectations of the performance of social housing in the community.

With a portfolio of over 73,000 properties, the Office of Housing (OOH) has developed an asset strategy, *Sustaining our housing*, to inform decisions affecting these assets. Making sure that the many diverse considerations affecting social housing delivery contribute to decision-making is a key objective of an asset strategy.

The provision of social housing assets is now planned with social policy outcomes in mind. With specific examples from OOH’s high-rise upgrade program, this paper explores the development and application of an adaptive approach to strategic assessment management in the OOH.

### **1. OOH approach to strategic asset management**

#### *1.1 Role of Asset Manager*

In its report on *Public Housing* in 1993, the Productivity Commission determined that there was a need to increase effectiveness in public housing authorities, particularly where some commercial focus could be fostered. The case for public housing authorities to act “commercially” in areas such as property management was therefore promoted. This report went further to recommend the establishment of the separate position of property manager within public housing authorities as the most effective structure to provide asset management services to large public housing authority portfolios. The property manager was expected to operate at a commercially- focussed distance from service delivery.

The Productivity Commission noted in its report that one of the key benefits of the separation of property manager from tenancy manager was to “prevent either welfare or commercial objectives dominating each other.”<sup>1</sup>

The Office of Housing re-structured its central office functions in response to this report, creating the position of Asset Manager to manage the property portfolio at an organisational distance from the Housing Services/client services area.

However, in Victoria in recent years, the move to a more adaptive, service-oriented strategic asset management approach has been prompted by a changed view about the role of social housing in our community. Social housing is becoming more recognised as part of the social infrastructure of communities, and the management of housing assets can and must contribute to community well-being and growth.

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<sup>1</sup> *Public Housing (Report No. 34)*, Industry Commission, IC Inquiry Report, Nov-93, p.182

The very benefit suggested by the Productivity Commission's 1993 report, the separateness of welfare or service issues from property management or commercial considerations, has brought difficulties as well as benefits. Key decisions concerning the direction of the asset portfolio, capital programs or individual properties could not be adequately made in isolation of service needs, and without a broad based social policy environment for asset management this would continue to be the case.

The role of the asset manager has therefore broadened to acknowledge the need to engage with service providers and strategy makers in discussing the value of assets in a range of different, not solely commercial ways, and to participate in new initiatives with objectives such as community-building rather than asset commercialisation.

### *1.2 Big on strategy, policy drivers*

The OOH's asset strategy clearly relates asset management to key social policy outcomes. Asset management is therefore not to be seen as a separate discipline, with property decisions made in isolation of service planning. Asset strategy links the social housing authority's strategic framework to the operation of the housing portfolio.

*Sustaining our housing*, the OOH's asset management strategy 2004-2009 identifies five broad objectives derived from the wider policy context, to guide asset management activities.

Policy drivers identified in the Victorian Government's *Growing Victoria Together* and more recently, *A Fairer Victoria*, place social housing management squarely within a whole of government approach to addressing social policy objectives such as social disadvantage.

For the OOH asset strategy therefore, our approach to asset management must be grounded in these broader considerations –

- Building friendly, confident and safe communities; and
- A fairer society that reduces disadvantage and respects diversity.

### *1.3 Decisions "locally"*

The converse, but equally important approach to asset management, is for local or individual application of the strategy. Once strategic drivers are identified, how do these get applied to the portfolio, programs and properties?

The concept of "glocalisation" (think globally, act locally) applies well to strategic asset management in a large organisation. The immediate problems of property management (a failed element, or unplanned vacancy) often challenge the asset manager to respond quickly and non-strategically. Without a framework for translating the particular problem, property or program into the strategic arena, opportunities to optimise the asset decision can be overlooked.

This paper will explore, through key examples, how the OOH in Victoria is promoting an adaptive approach to asset management through its implementation of its asset management strategy, *Sustaining our housing*.

## 2. Social housing asset strategy

### 2.1 Policy Environment

In a policy context, social housing operates in a number of paradigms – from physical infrastructure and planning, to human services delivery and social welfare assistance. At various times in the past, the operation of a large public housing capital program has been reactive to economic and employment generation drivers to provide counter-cyclical activity in a depressed construction industry.

Most recently, the Victorian Government's 2005 social policy action plan, *A Fairer Victoria*, identified addressing a lack of affordable housing as critical to reducing disadvantage in the community.

In reviewing policy drivers for the asset strategy, the OOH considered the broadest role of social housing – from policies of social inclusion, to economics, the environment and physical planning. Asset planning in social housing requires strategic direction that addresses this broad policy environment – producing often apparently competing policy objectives. At the heart of these policies is the key message that “Service delivery needs are to guide asset practices and decisions.”<sup>2</sup>

Social housing also provides Government with opportunities to act by leadership – in Victoria, the OOH moved on environment policy drivers to construct five star energy rated dwellings ahead of regulation and to install additional energy efficiency elements in property renewal programs (water recycling, solar hot water heaters and solar bulk hot water pre-heaters in multi-unit dwellings). The opportunity to lead place-based community building was realised through the development of the Neighbourhood Renewal program.

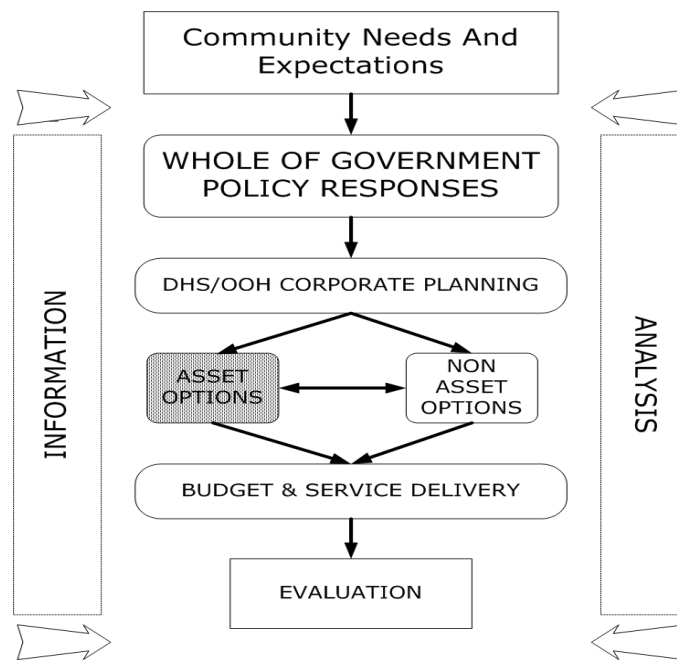
### 2.2 Putting it all together

The OOH's *Asset Management Strategy* therefore provides the nexus between Government objectives and policy commitments for social housing and the business plans and work programs for capital works developed by the OOH for the medium term.

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<sup>2</sup> *Asset Management Series*, Department of Treasury and Finance

## The OOH Asset Management Policy Framework



This *Strategy* ensures that long term asset investment priorities are articulated and implemented in the context of Government policy commitments, departmental objectives and OOH service delivery needs.

### 3. Sustaining our housing

*Sustaining our housing*, the OOH's asset management strategy (2004-2009) identifies five asset management objectives that provide direction to capital planning. The strategy encompasses the overall themes of portfolio management, growth priorities, social policy connections and delivery themes.

The five objectives of *Sustaining our housing* are:

- Maintain and enhance the asset base
- Prioritise place-based improvement initiatives
- Re-profile stock and grow in strategic locations
- Attract private sector investment
- Improve asset management processes

#### 3.1 *Maintain and enhance the asset base*

The OOH is investing more funds each year to maintain and upgrade existing social housing stock than ever before in its history. This is significantly due to the life cycle operation of a “mature portfolio”, reflecting previous periods of high stock growth. With over a third of our properties over 30 years old, and most of these closer to 50 years old, the constant pressures on maintenance and upgrading budgets will continue into the foreseeable future.

With a purely commercial focus, the asset manager looks to dispose of poorly performing and expensive stock to reduce property life cycle costs. However, social housing is not an easily tradeable commodity – with vacancy rates over 2% in Victoria the “grounding of housing stock” limits disposal strategies. Added to this, the acknowledgement of social housing as social infrastructure, even in areas of limited actual demand, means the community pressures to retain social housing stock are great.

The OOH is developing local stock plans for each local government area across Victoria to guide decisions on existing and future stock needs. The challenge for this level of planning is to quantify and specify the range of drivers in a local area that will impact on stock decisions.

This year, the OOH surveyed 400 tenants of recently upgraded properties to gauge satisfaction with their property and the works undertaken. The OOH surveyed the level of satisfaction with the type and quality of works and the processes for tenant involvement in upgrading programs. This input will contribute to a review of asset management business rules and policies to ensure that client concerns are addressed.

### ***3.2 Prioritise place-based initiative***

The need for asset management to develop a more adaptive approach to property management was also highlighted by the development of community building initiatives and, subsequently, the Neighbourhood Renewal program. As areas of significant levels of public housing, asset planning for the Neighbourhood Renewal areas has created a close alliance between asset management and the Neighbourhood Renewal program area. More significantly however has been the need for asset assessment to include a number of broader elements, such as contribution to locally developed Neighbourhood Renewal aims and objectives. Specific assessment regimes have been developed to meet these objectives, for example, for the assessment of tenant sales application in Neighbourhood Renewal areas.

Recent research findings of Samuels and Judd (2005)<sup>3</sup> illustrate the benefits of effectiveness of social over physical interventions for addressing issues such as crime on high density estates. Elements such as community consultation and participation in problem identification, and the development and implementation of strategies were also highlighted.

### ***3.3 Re-profile and grow in strategic locations***

The locational distribution of social housing in Victoria is a legacy of previous social housing needs and more general planning and development settings. As we plan for future population growth, physical planning frameworks need to be understood by the social housing asset manager.

For Melbourne, the Victorian Government has developed a long term planning strategy to 2030. But beyond physical planning considerations, Melbourne 2030 provides specific direction on the development of new housing, encouraging a greater proportion of new dwellings at strategic redevelopment sites (particularly Principal Activity Centres and Major Activity Centres) within established metropolitan urban areas, to reduce pressure for urban expansion. This poses a challenge for the asset manager to acquire new stock in these

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<sup>3</sup> Samuels and Judd (2005), “Public Housing, Policing and Crime Reduction”, AHURI Research & Policy Bulletin, 55, May 2005.

locations, which are well served for social housing in terms of education, transport and employment opportunities, but come at a higher cost than traditional greenfields development.

### **3.4 *Encourage private sector investment***

With the strategic aims identified in the previous objectives, and reductions in Commonwealth capital funding for social housing, has come the need to increase the funding contributions to social housing. A new model for growth in the provision of social housing in Victoria has commenced, with the establishment of Housing Associations, under a revised Housing Act. The benefits of leveraged housing provision and a diversified community managed sector are apparent, but also require even broader strategic planning frameworks for the whole social housing scene. As the community managed sector grows, the role of the housing authority asset manager will necessary evolve further, perhaps to provide overall planning, perhaps restricted to directly-owned property management – and the need for an adaptive approach in the meantime.

The *Building More Homes Together* initiative is an example of this approach. The OOH has advertised for interest from developers, builders, and community housing providers in a partnership program to provide social housing. Based on the principles of leveraged provision, flexible delivery options (construction, purchase, use partner or department land or funds), the outcomes of the program could be in the form of direct or community managed social housing.

### **3.5 *Improve asset management processes***

At the heart of the asset manager's ability to take an adaptive approach is the ability to make informed assessments of options. The OOH highlighted the need to improve asset management information management and processes in *Sustaining our housing*. Key improvements underway at present include stock planning functions (as mentioned above) and the development of a new asset planning module within the new information management system currently being delivered for the OOH.

## **4. Adaptive asset management in practice**

The development and delivery of a strategic, long term renewal program for Victoria's 44 high-rise housing towers illustrates the operation of the OOH's adaptive approach to asset management.

### **4.1 *High-rise background***

The OOH manages 44 high-rise housing towers, located across inner Melbourne. Constructed between 1962 and 1975, the towers comprise approximately 7000 flats in total – 44% two bedroom flats, 29% three bedroom flats, 18% one bedroom flats and 9% bedsitters.

### **4.2 *Challenges***

In 1999, the Victorian Government committed to the renewal of inner city housing estates, responding to community concerns such as:

- A number of publicised incidents on estates involving drugs and crime

- Perceptions that the high-rise estates were not secure environments
- Reduced serviceability – lower demand, tenant complaints; and
- Overall perceptions concerning the condition of properties and services

Through analysis and consultation, however, the asset manager determined also that

- 44 towers although similar in age, were in differing physical condition;
- Vastly different local communities had developed across the different estates, and expressed preferences of different cultural groups to co-locate in towers; and
- The incidence of community safety issues such as drugs and crime on estates varied from estate to estate.

As a whole, this analysis recognised the need to invest significantly in the high-rise stock, to extend the effective life of the buildings, renewing infrastructure and increasing amenity for tenants. The high-rise represented a sound investment for the asset manager, and would be quality social housing if upgraded to meet the needs of current and future tenants.

Following extensive technical and financial property assessment, a rolling ten year upgrade program was developed to renew the buildings' infrastructure and services, internal flat amenity and communal areas and grounds.

At July 2005, the high-rise upgrading program has achieved the following:

- Completion of older persons bedsit conversion and upgrade program to the 13 older persons buildings. In total, 1392 bedsits have been converted to 696 one bedroom units resulting in substantial improvement in amenity for older tenants.
- Upgrade of 1,100 family high-rise flats across all 31 family buildings, including external wall insulation, built-in wardrobe, electrical re-wiring, newly designed windows, internal laundries, new bathroom, new kitchen, new floor coverings and painting throughout.
- In addition there have been important building infrastructure works such as building services renewals, lifts, boilers, upgrading wiring and telecommunications for current and future needs.
- Upgrades of the condition and presentation of walkways, lift lobbies and common areas are progressively being done for all buildings. Foyer upgrades are particularly important to the high-rise program, not only as the main entrance area to tenants' homes, but also in the opportunity to support the delivery of services to tenants. Provision for security access options and office/consulting space for service providers are planned for all foyer upgrades, with the capacity for local management and tenants to configure and implement as the local community determines.
- Fire sprinkler installation in all flats in all 44 buildings should be completed next year.
- All lifts opening at all floors, instead of alternate floors, to all 44 buildings. The lift upgrade program has made a large contribution towards improving amenity and security for tenants and visitors to the high-rise building, with average waiting times for lifts reduced by over 40 per cent.

By June 2006, the first family high-rise building will be completely upgraded, including: Upgrade of 108 family flats, walkway and lift lobby and communal areas on all 12 floors, building services and controlled access and security system.

#### *4.3 Adaptive Approach Examples – High-rise Upgrading*

##### ***Global Game plan developed but applied to local conditions***

This program is of significant proportions, with total long term costs of almost \$1billion. Commitment of this level of resources to just under 10% of the social housing portfolio has provided certainty in asset planning and allowed processes and plans to be developed to support delivery of major asset renewal.

The adaptive approach is illustrated through many aspects of the high-rise upgrading program, but is particularly relevant to the programming, timing and element details which have been developed for each tower in response to local conditions, circumstances and tenant preferences. These plans are developed in consultation with relevant region/area management and local tenant communities.

##### *Tower specific programming*

*Given the size of this program and need to co-ordinate works across 44 towers, the natural inclination of the asset manager is to drive efficiency gains, for example by contract or industry based programming to facilitate efficient and cost-effective works programming. However, through consultative programming and with an approach that promotes local decision-making, the OOH has programmed works on a tower basis, attempting to minimise disruption to tenants, and constantly reviewing with local management the balance of works planned to ensure the liveability of the tower for tenants. Generally, whole floors are vacated for the major upgrading works, however, this is limited to 3 to 5 floors of 12 to 20 floor buildings at a time.*

##### *Tenant responsive supplementary programs*

*One feature of the adaptive approach was the development of supplementary programs, such as the “maintenance plus” program. Due to the need to program a limited amount of works to one building at a time, and tenant reactions to the length of time of the upgrading program in each building, a new approach was developed whereby tenanted flats not programmed for major works by 2006-07 underwent a targeted program of updating (eg painting, floor coverings) and maintenance works. Tenants have responded very favourably to this approach, which also has helped maintain support for the ongoing program and helped to compensate for the necessary inconvenience to tenants of the more major works.*

##### ***Opportunities for local decision-making through Neighbourhood Renewal***

The opportunity to support the emerging Neighbourhood Renewal program in the Fitzroy and Collingwood estates was recognised as an appropriate convergence of asset planning with a place-based initiative.

While consistent with the rolling program for the total high-rise upgrade program, works at Fitzroy and Collingwood are planned and programmed in a very different way, involving local governance arrangements and specific initiatives and objectives relating to the broader Neighbourhood Renewal plans for these areas.

*Providing for local decisions about security, tower services*

*A key example of the adaptive approach arose in the development of the design specification for high-rise foyers. Issues of the use of foyers, potential innovations such as tower management, tenant involvement and the extension of community services using spaces in the foyer were raised. The asset manager has developed a set of foyer objectives which guide foyer upgrades, while allowing local communities to develop unique approaches to the use of this important communal area. Security infrastructure, such as wiring for controlled access and security monitoring are provided to all foyer upgrades. Over time, local management can turn these facilities on at completion, or for particular times of the day, or at a later time if required on the local estate.*

The Neighbourhood Renewal project at Collingwood and Fitzroy high-rise estates has created the opportunities for tenants to be more involved in local decision-making for a range of community activities and service development. At Collingwood for example, it is estimated that 35 per cent of tenants have participated in workshops or other public events arranged through the Neighbourhood Renewal project. For the Collingwood estate, addressing security issues of tenants was worked through on a tower-by-tower basis, towards making decisions concerning access systems, concierges, security monitoring and the development of other services operating from the towers.

*Designing for diversity*

In the detail, given the homogeneity of the high-rise towers, it would be understandable to assume that a “one size fits all” approach would be a cost effective approach to the actual upgrading works across all of the high-rise flats. However, working with the different communities in the high-rise estates has prompted a broader perspective on how the needs of even small communities in the large high-rise portfolio can be accommodated.

*Tenant requested kitchen upgrade designs*

*One example of this approach is the need to develop kitchen upgrade designs to suit specific groups of tenants. The standard layout of the original high-rise flats included a separate kitchen room accessed by a standard width doorway. One of the developed standard designs to improving amenity within the family flats is to open up the kitchen to the eating and living areas. This design has been generally received very well, and reflects amenity and design treatments found in new housing. However, consultation with tenants uncovered an unforeseen problem for specific cultural groups with this design. Opening access to the kitchen means that people cooking in the kitchen can be seen by anyone in the living area. Due to some cultural beliefs this would require women to wear covering clothes while cooking to prevent parts of the body being viewed by others. This was acknowledged by the OOH as being restrictive and with further consultation an alternative design has been developed and programmed for specific tenants on request that allows the kitchen to remain as a separate room.*

## 5. Conclusion

Although a more and more complex job, the role of social housing asset manager must continue to evolve if social housing assets are to deliver optimum service value. While programs such as our high-rise upgrade program must stay on track, on time and on budget, through an adaptive approach, the objectives of the asset manager should be to better match housing assets to service need for diverse communities. With a broadly-based asset strategy, *Sustaining our housing*, the OOH asset manager is implementing long term asset plans to maintain and develop social housing for the Victorian community.

## References

Industry Commission (1993), *Public Housing (Report 34)*, IC Inquiry Report

Victorian Government (1996), *Asset Management Series*, Department of Treasury and Finance

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