

The Social Enterprise Case Study Series provides an insight into how different types of social enterprises are currently operating in Australia. Social Traders has developed this series by consulting closely with individual enterprises to capture an inside perspective on the development of the enterprise and their challenges and successes.

Housing Provider: Urban Communities Ltd.

Summary

Urban Communities Ltd (UC) is a Melbourne based specialist not-for-profit Housing Agency focussed on developing and applying expertise in urban renewal, particularly in public housing estates. The company was established in 2007.

Utilising a 'place management' approach, UC provides a range of services to government and private clients in the areas of on-site tenancy management, property and facilities management, body corporate management and community building.

UC's operations are underpinned by a vision to strengthen community networks, enhance community infrastructure and contribute to the long term social, environmental and economic sustainability of communities. In order to do this, UC is focussed on generating profits from a diverse stream of customers which are reinvested into the community in which UC works, trading centres include government contracts for public housing services, as well as a private rental business, *Urban Communities Property Corporation (UCPC)*.

UC also use their own procurement of gardening, cleaning and maintenance services to provide training and employment for local residents, and to boost the local economy.

Years to break even	Profitable from Outset
Staff	12 (10 FTE)
Social Outcomes	Creation of a cohesive mixed tenure community
	Profits invested in Community Building projects
	Local and social procurement
Annual Turnover	Revenue \$988,189
Annual Profit	\$319,101
Establishment Costs	There was investment in strategic development made by Becton and DHS in the establishment of the Kensington Management Company which transitioned into Urban Communities.
Social Outcomes	UC currently houses approximately 700 public residents, creates employment for 6 public residents and employs 10 in total through procurement of services from SE's and provides community strengthening services



Background

Kensington is a suburb 3 km north-west of the Melbourne CBD. Gentrification over the last 20 years has changed the character of the area but due to large concentrations of social housing, Kensington retains a low-income profile compared to the city as a whole. The area is characterised by light industry and retail, and is a housing-development and population-growth hot spot. The Kensington community has a significant population of residents from non-English speaking backgrounds, and is known for its 'village' atmosphere.

UC was developed out of the 'Kensington Housing Estate Redevelopment Project', initially a Kennett Government initiative, then a Bracks Government project to re-develop the 6.5 hectare, 710 unit, Holland Park public housing estate in Kensington. Initiated in 1999, this project utilised a public private partnership (PPP) approach. The partners were the Victorian Department of Human Services and Becton Property Developers.



This was the first redevelopment project in Australia to revitalise a large inner city high-rise public housing estate by introducing private housing stock, physically integrating the site with the broader Kensington community through site design. In addition, a community "rebuild" – focussing on the people who live within the redevelopment - was considered as important as the physical rebuild. The plan involved the demolition of one public housing high rise tower on the site which

provided 90 units, the demolition of 378 medium density public housing units on the estate and the building of 616 new residences - 195 for public housing. With a government upgrade of the two remaining towers, the site was to contain a total of around 430 public housing units and 455 privately owned units.

The shared vision of government and Becton was the creation of a "vibrant, cosmopolitan and sustainable inner city living neighbourhood", with as little distinction as possible between public and private residents. This 'mixed tenure' model is increasingly being adopted internationally as a strategy for enhancing community sustainability, by creating greater socio-economic diversity and subsequently reducing the concentration of poverty within communities.

The key challenge the partnership faced in achieving a cohesive community was reconciling the disparate needs of public and private housing management, and working to integrate these traditionally separate approaches into an integrated approach under the one management entity. The partners chose to adopt the 'Place Management' model, incorporating concepts of community development, precinct cohesion and whole of area services management. Implicit in adopting a *place based* management strategy, was the necessity for a dedicated on-site entity to manage and deliver operations. The partners subsequently resolved to create a separate company as this entity, '*Kensington Management Company*' (KMC), which was officially established in 2001 as a subsidiary of Becton.



Located within the Kensington re-development site, KMC was responsible for all aspects of private and public housing management (including managing on site Office of Housing tenancy management staff). Although initially intended to exist only for the life of the re-development, a feasibility study of its future role undertaken in 2006 highlighted the great success of the KMC experience and the critical role of place management in achieving and maintaining the cohesive mixed tenure community. The report recommended that the on-site place management be continued beyond the life of the re-development. However, rather than retain KMC under the current set up, the report identified a number of issues and limitations that hindered KMC's ability to successfully operate in the long term. Namely:

- KMC was a subsidiary of a private company, engendering legitimacy and trust issues;
- KMC was governed by government representatives, preventing the ability to independently trade with government and other sectors; and
- KMC was financially dependent on the founding parties and without means to become self sustainable.

What was needed was a company or organisation that had the trust of both the private and public sectors, and the local and broader community, and that was a viable and self-sustainable business.

Establishment

The KMC Advisory Committee, with the endorsement of the community, confirmed the support and feasibility of establishing an independent, not-for-profit entity and a Registered Housing Agency. In adopting this new structure, what was critically identified was that ongoing financial sustainability could be achieved through the application of a place management model for both the private and public housing markets.

In its new form, this entity provided:

- **greater legitimacy, public trust and the ability to trade with all sectors;**
- **a mechanism for more cost-efficient and complementary management of services;**
- **a means to financial sustainability through various revenue streams; and**
- **an avenue to apply the learning's from the Kensington experience to other urban renewal settings.**

In 2007, a CEO was appointed with the mandate to create *Urban Communities Ltd* as a full-service place manager delivering tenancy, facilities and body corporate management, and community building for both public and private residents on the Kensington estate.

KMC was wound up with remaining assets transferred to UC. At the same time, *Urban Communities Property Company* was established, as a subsidiary private rental arm of UC. Operations of UC officially began on the 21st August 2008.



To reflect the previous arrangements in place under KMC, a new 'Community Business Alliance' was created and signed off by the founding partners and UC, to ensure that UC continue to deliver previously agreed services and outcomes for the duration of construction at Kensington. A government agreement provided UC with a 5 + 5 year contract to deliver public housing management on the estate.

Today, UC has 12 (10 FTE) staff, including 1 full time staff member who manages the private real estate business.

Company Strategy

The challenge for UC was "bridging the disconnection between the private and public sectors". The elements of the entrepreneurial commercial developer versus government's more conservative approach to contract delivery.

The solution was found in a social enterprise model, which enables UC to deliver positive community outcomes underpinned by a sound commercial focus that ensures ongoing financial viability, and the potential for growth. As a social enterprise, UC is uniquely positioned to sell products to the private and public sectors, rather than operate as a government funded organisation; they don't chase funding, they win work.

As a not-for-personal profit company, UC's commitment is to the communities in which it works, and as its commercial businesses grow and the company becomes wealthier, the key beneficiaries will be the residents in Kensington, and other communities in the future.

Urban Communities key objectives:

- Increasing the supply of affordable housing opportunities for low income households;
- Providing high quality housing services – appropriate to the needs of high density mixed tenure communities; and
- Conducting all business from a community development perspective – working with the community to enhance the social, environmental and economic sustainability of the neighbourhood.

Company Structure and Governance

UC was established as a Company Limited by Guarantee, as a Public Benevolent Institution with Tax Concession Charity and Deductible Gift Recipient status. There were three founding Directors, including a property developer, an ex-politician and a community sector representative (also the CEO of UC).

There are currently six directors providing expertise in HR, legal, finance, property development and marketing. Each Director is paid a nominal amount for their service as directors, and serves a term of three years.

A number of committees provide UC with important feedback, advice and support, including the ministerially appointed Kensington *Community Liaison Committee* (CLC), and the independently appointed, government funded *Kensington Public Tenants Association* (KPTA). These committees provide an interface between the Kensington residents, government and UC.



Marketplace

UC is a property management company, structured to deliver services in all property markets. The UC business is based on a very simple model. The key assumptions are:

1. Income is derived from fee-for-service income paid for all core management services;
2. Fees associated with each service are set against public sector and, private sector benchmarks where appropriate.

UC currently work in the mixed tenure urban development market, with core services divided into four key market segments:

<u>Private Sector Services</u>	<u>Public Sector Services</u>	<u>Social Housing Sector Services (UC Owned stock)</u>	<u>Shared Services</u>
<ul style="list-style-type: none"> - tenancy management - facilities management - common place services - owners corporation (body corporate management) 	<ul style="list-style-type: none"> - tenancy management - facilities management 	<ul style="list-style-type: none"> tenancy management - facilities management 	<ul style="list-style-type: none"> - community building

Private Sector Services

UC's ability to secure owners corporation (body corporate) contracts is based on the delivery of high quality, professional services that are competitive in the open market. Their success in this space is a direct result of the demonstrated positive outcomes of their management, witnessed by the corporation members.

In terms of securing private tenancy contracts, UC have found that direct and targeted communication with potential clients is a more effective strategy than the mass marketing often adopted by traditional real estate companies. UC's properties under management in their rental business almost tripled within the first 12 months of operation, a result the CEO attributes to being aggressive in their commercial pursuits.

Although established purely as an additional revenue stream for UC, UCPC embodies the social values of UC and in fact is furthering UC's social goals directly through the placement of disadvantaged residents in privately owned units. This suggests unique and exciting opportunities for increasing access to housing in the future.

Public Sector Services

UC have demonstrated that a non-government agency can successfully deliver public housing services, they believe that their on-site, integrated approach can in fact provide more profound social, economic and environmental outcomes than traditional approaches, yet for no extra cost.



Social Housing Sector Services

UC recently purchased 15 properties at Kensington with the support of Nation Building funding. The properties enable UC to house people in housing crisis and who are disadvantaged in the housing market. A partnership with Hanover has enabled the piloting of a supported sustainable and community based housing project for people who are traditionally housed in transition housing.

Shared Services

In partnership with local residents and community organisations, UC undertakes a range of community building projects focussed on economic innovation, the promotion of health and well-being, and community strengthening. Strong partnerships with like minded organisations who share the vision to *create a great place to live*, enables leveraged and targeted funding in response to community led initiatives.



UC's community building strategy is also delivered through the company's purchasing of goods and services. UC procures minor maintenance, grounds maintenance and cleaning services from social enterprises that train and employ local residents. The organisation is also committed to buying local where a social enterprise cannot deliver. These businesses employ approximately 30 local residents.

UC's demonstrated success has led to people increasingly looking to adopt their unique model, or contracting UC to deliver place management services in other settings.

This model is “no more expensive (than traditional approaches), yet provides far more profound secondary outcomes.”
George Housakos, Urban Communities CEO

Financials

In June 2010, the construction of 176 new public and 417 private dwellings on the Kensington site had been completed, with an approximate 50/50 public private mix to exist upon completion of the development. UC manages all of the public dwellings, which includes approximately 700 residents, as well as managing 105 rental properties and 11 Owners Corporations on the site, effectively providing services for approximately 1400 residents.

UC consists of Urban Communities Limited and Urban Communities Property Corporation. Both aspects of the business are profitable with all profits directed back into UC to support business operations and growth, and community investment.

UCL currently has a single 5 + 5 year government contract for the Kensington site. The Kensington contract generates sufficient income alone to make UC a sustainable company. In 2009 UC turned over \$998,189 including an \$80,000 grant with a net profit of \$319,101.



Currently, UCPC has 105 rental properties under management, and 11 owners corporation contracts (total 400 properties).

UC has a constitutional policy not to increase revenue from government to over 50% of total turnover. This decision is based on ensuring that UC maintains a diverse range of revenue streams.

All of UC's profits are reinvested back into the company and thus the community. In its first year, profits have enabled investment in important research towards the replication of the place management model, as well as investment in community initiatives such as the building of the community garden.

Stakeholder Relations

UC's philosophy and success is underpinned by the partnership approach of effective place management. There are many stakeholders, and the holistic and integrated model ensures significant and ongoing collaboration between all parties involved, including residents, the broader community, local agencies and service providers, local and state government, property developers, and investors.

Kensington residents are key stakeholders. Structures such as the Community Liaison Committee, the Kensington Public Tenants Association and project based committees involve residents in planning and project implementation as much as possible in order to increase community capacity and ownership. Residents readily participate and make decisions on committees and working groups, as well as attend discussion and education forums and events. To nurture this, UC are developing a communications plan, and produce a regular community newsletter.



UC's partnership with State Government has been groundbreaking and continues to be crucial to their existence and success. UC continue to provide government with a cost effective and successful model of public housing management, and having been pioneered in Kensington is likely to be adopted as a model of choice in other settings around the state, and potentially nationally.

Becton is another key partner. This partnership has provided UC with infrastructure support and development knowledge. In return, UC supports Becton's commercial interest by ensuring that the physical and social environment of the site is attractive to private investors.

KMC's, and now UC's partnership with both Becton and Government has resulted in the development of highly valuable expertise and Intellectual Property.



“Nurturing a social contract between the community and the public and private sectors is the surest way to harness social capital, build community capacity and ensure long term social and economic sustainability.”

George Housakos, Urban Communities CEO

Challenges

UC's main challenge in coming into existence was in getting the founding parties to agree to do business differently. Most significantly, this required government to allow practice to inform policy in embracing this new approach.

Today, UC continues to be challenged by having to operate within different structures. In order to trade and work well with the government, public and private sectors, UC needs to ensure that it has broad expertise, understanding and skills relevant to each of these sectors. Similarly, its staff must embody these skills.

Related to this is the challenge of being trusted by everyone. UC's success hinges on its ability to balance the diverse and somewhat conflicting needs or agendas of its broad stakeholder base. To do this, UC needs to make sure that it can achieve, and maintain, the right balance between social and commercial efforts. The commercial business must continue to support and grow UC's core operations, however UC are wary of tipping the scale too far into the private, and risk its ability (or perception of) to deliver its social outcomes.

The CEO is not shy in expressing how challenging, time consuming, and stressful the process of establishing UC has been. He also acknowledges that nobody was fully aware of the significant impact that UC's establishment was to have on Government policy.

Success Factors

UC puts its success down to its holistic and integrated approach that ensures collaboration and cooperation between the different (and traditionally siloed) services. UC's on site, “person centred” community building approach has had a key outcome of creating a sense of community ownership and self-determination, which has led to higher satisfaction, reduction in crime and other disturbances, and lower tenant turnover.



UC's emphasis on establishing an action learning methodology, also contributes to its success, enabling it to “prove and improve” and offer government measured outcomes and a framework for future housing regeneration projects.

UC has benefited greatly from being a product of a PPP between government and business. The business savvy of Becton enabled the creation of a very successful revenue stream



(UCPC) for UC, and has embedded within the organisation a great knowledge and understanding of property development. At the same time, the government background has provided a critical knowledge of public housing policy. UC's implicit understanding of and ability to manage both political and commercial risk has been invaluable.

UC's model has been embraced by, and has demonstrated excellent outcomes for public and private tenants, the broader community and the government bottom line. Figures of 100% tenancy and arrears of less than 1% for the past two years suggest that the model is clearly working.

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