S-10

SHELTER
NEW SOUTH WALES

ABN 95 942 688 134

Our ref: 03.03.26

24 February 2006

Matthew Morris MP
Chairperson
Public Bodies Review Committee
Legislative Assembly
Parliament House
Macquarie Street
SYDNEY 2000

Dear Matthew Morris

Inquiry into allocation of social housing

Please find enclosed a submission to the Inquiry.

Thank you for the opportunity to provide this input into an important matter of public policy that has an impact on the welfare of tens of thousands of people in this state.

Should you wish to discuss any aspect of our submission further please contact me direct on 9267 5733 ext.14 or 0419 919 091(m), or Principal Policy Officer Craig Johnston on 9267 5733 ext.11.

Sincerely

Mary Perkins
Executive Officer

Shelter NSW Inc. Suite 2, 4th Floor, 377-383 Sussex Street, Sydney NSW 2000
Phone **(02) 9267 5733** Fax **(02) 9267 5001** Email **info@shelternsw.org.au** Website **www.shelternsw.org.au**

SHELTER
NEW SOUTH WALES
ABN 95 942 688 134

Our ref: 03.03.26

26 February 2006

RECEIVED 27/2/06

Matthew Morris MP
Chairperson
Public Bodies Review Committee
Legislative Assembly
Parliament House
Macquarie Street
SYDNEY 2000

Dear Matthew Morris

Shelter NSW submission to Inquiry into allocation of social housing

We refer to a submission to the Inquiry into allocation of social housing, which this organization lodged on 24 February 2006.

The Legislative Assembly guidelines for submissions to parliamentary committee inquiries provide that a submission received by a committee must not be published or otherwise disclosed in that form without the committee's authorization.

We have a policy of making Shelter submissions on public policy matters available to key stakeholders as well as the general public. We do this as a contribution to wider public debate and in recognition of the 'educative' function our submissions play in the nongovernment nonprofit social and community services sector.

We therefore request the Committee's authorization to publish or otherwise disclose the submission in the form we submitted it.

Sincerely

Mary Perkins
Executive Officer

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Phone **(02) 9267 5733** Fax **(02) 9267 5001** Email **info@shelternsw.org.au** Website **www.shelternsw.org.au**

The supply and allocation of social housing in New South Wales

Submission to the
Public Bodies Review Committee
Legislative Assembly
Parliament of New South Wales

February 2006

Shelter NSW

About Shelter NSW

Shelter NSW is a community-based, statewide, peak body, which promotes the housing interests of low-income and disadvantaged people in New South Wales.

Shelter's mission is to work for a just and equitable housing system. We

- promote a coordinated response within the community sector to housing issues impacting on access to housing by low-income and disadvantaged people;
- work with and influence government and relevant community sector organizations to develop housing policies and programs that meet the needs of low-income and disadvantaged people and offer appropriate housing solutions;
- increase public awareness of housing issues and support for adequate and sustainable responses;
- research and develop responses to housing issues;
- provide quality information, assistance and support to the community sector, members and other stakeholders.

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Contents

'As a starting point I think we can accept that social housing as we have known it for the last fifty years is close to dead.' – Terry Burke[1]

THIS SUBMISSION is to the Public Bodies Review Committee of the Legislative Assembly of the NSW Parliament. The Committee established an inquiry into the allocation of social housing on 30 November 2005 and called for public submissions on 15 December 2005. The terms of reference indicate the Inquiry has a particular interest in:

- current levels of funding for the development of new social housing stock;
- the effectiveness and appropriateness of housing allocations;
- the role of community housing in meeting the demand for social housing;
- social housing allocation systems in other jurisdictions; and
- any other related matters.

This submission addresses the first 3 matters.

1. Background

Social housing is generally understood to be rental housing provided to tenants by government or nonprofit nongovernment organizations with a targeting of allocations to people on low-moderate incomes and with rents set on the basis of affordability. This broad definition allows for a variety of interpretations and models. As a mode of housing assistance, or housing product, social housing differs from other modes of housing assistance to low-moderate income households in that the assistance is primarily of an 'in kind' nature – it takes the form of a dwelling, not cash. Social housing is particularly associated with the capital and associate recurrent funding programs under the Commonwealth–State Housing Agreements (CSHA) of the last half of the twentieth century, and 3 program areas in particular:

- public rental housing
- CSHA–community housing
- state-owned and managed Indigenous housing

The term is not generally used to refer to the following forms of nonprofit rental housing, though there is no reason in principle why it should not – their exclusion is a silo effect of funding programs:

- supported housing provided by nonprofit nongovernment organizations under the Supported Accommodation Assistance Program (SAAP), though the CSHA provides dwellings for use by services under that program either directly or through partnerships with community housing associations
- nonprofit rental housing provided to socially-disadvantaged households under other multilateral government programs such as those under the Commonwealth–State Disability Agreement
- nonprofit rental housing provide by Indigenous community housing organizations, funded largely by the Commonwealth Department of Families, Community Services and Indigenous Affairs

This submission will focus on 2 only of the 3 'core' social housing programs, public rental housing and CSHA–funded community housing. The dynamics of financing and allocating housing in the nonIndigenous, or 'mainstream', public and community housing sectors are sufficiently different now to warrant separate treatment. The allocations issues in the Indigenous housing sectors – a term that covers both state-owned and managed Indigenous housing and Indigenous community housing organizations (who own their own properties) – have a separate dynamic to those in the mainstream public and community housing sectors. We acknowledge that achieving a more efficient and effective mainstream public and community housing sectors will benefit Indigenous Australians. That is because Indigenous Australians are well represented (in relation to their proportion of the NSW population as a whole) in those sectors[2], as they also are in SAAP services.[3]

Over the last few years, leading up to and consequent to the current CSHA, there has been much public discussion about 2 matters in particular about the state and future of mainstream public and community housing:

- the ongoing ability of public housing authorities to operate, i.e. to continue to provide their services (rented dwellings) at their highpoint of total stock supply, and (let alone) to increase that capacity by acquiring more properties; and
- the supplementary or alternative role of mainstream community housing to public housing and the specific opportunities for growth by community housing which are not available to public housing authorities.

On the one hand, we see a bundle of phenomena in the mainstream public housing sector that indicates a hemorrhaging. Hence, the dire assessment of public housing made by the Swinburne University academic, Terry Burke, quoted above. Those include:

- long-term financial viability challenges for public housing authorities in terms of persistent deficits on recurrent trading activities;
- declining numbers of properties in this sector, and no plans for real growth of it;
- a declining ability to call on Commonwealth subsidies because of the greater role of rent assistance (a social security payment) in providing support to some low-income renters;
- short-term, reactive policy responses to tighten eligibility for and increase tenant churn through the remaining public housing stock – and it confirm its role as welfare housing, as evidenced in New South Wales by the *NSW Government plan for reshaping public housing* released in April last year;
- ossification of institutional arrangements that underpinned the public housing system: there is an apparent lack of enthusiasm for a CSHA by the Commonwealth government, persistent talk by state public servants that there might not be another CSHA when the current agreement expires, and advocacy by national housing industry peaks for a national affordable housing agreement that would subsume the CSHA.

On the other hand, we see phenomena outside the mainstream public housing sector that indicates there is still positive movement and there could be grounds for optimism. Those include:

- greater organizational capacity by mainstream community housing associations, incremental growth in social housing dwellings managed by them, and the beginnings of development of a project (housing) developer role – especially in Victoria; and
- a *Framework for national action on affordable housing* prepared by the Housing Ministers Advisory Council in August 2005, which commits to a national sector development plan for nonprofit affordable housing providers.

The problems and challenges facing the social housing sector would not be as serious a public policy issue for parliaments and governments if the private sector – the market – was able to deliver affordable, appropriate and secure housing for everyone. While most – the vast majority of – people in New South Wales are at least adequately served by private solutions, the inefficiencies and inequities in the state's housing markets require prompt attention. Those inefficiencies and inequities need attention not simply because of social compassion – a concern for the rough sleepers and the very poor; but because of social solidarity – the challenges facing social housing are important to resolve so that we have all the levers to address general societal needs in terms of economic, social, and environmental outcomes for people in New South Wales. Over the next few decades, we can expect to see:

- continued housing unaffordability for low-income and first-buyer home purchasers in Sydney associated with global city dynamics and new economy industries;
- continued housing unaffordability for low-income and first-buyer home purchasers in coastal cities, towns and villages affected by 'seachange' demographic movements;
- housing unaffordability for low-income and first-buyer home purchasers in inland towns and villages affected by 'treechange' demographic movements;
- densification of established urban areas in Sydney, Newcastle and Wollongong to accommodate population growth, a process that puts a premium on existing land uses and might facilitate house price inflation; and
- diverse calls on new types of housing stock associated with changes to household type and in household formation;
- greater pressure on housing assistance schemes in private housing markets (home ownership, and private rental).

In terms of mainstream social housing's future, it is at the crossroads. It is time for visionary and bold action by the NSW government, with the support of the Opposition. And it is time for this state to take the leadership and initiative: there have been too many years spent blaming and lamenting insufficient funding from the Commonwealth; there is scope to enhance the social housing system in New South Wales using the assistance the Commonwealth is prepared to give.

2. Current levels of funding for development of new housing stock

There is a quirk in the use of the word 'new' to refer to social housing stock by governments when they release the state budget and associated briefing materials. A layperson (mis)interprets the word to indicate that there will be 'more'. Not so. New stock could involve reconfiguration/redevelopment or replacement of existing ('old') stock: X new units of social housing might mean no net increase in stock at all. *We support reconfiguration and replacement of existing stock to make the total stock portfolio more efficient and responsive to customer's needs: an asset portfolio needs to be managed dynamically*. However, we see no reason for the level of social housing stock as it was in the early 2000s to be regarded as some historic achievement to be fixed in stone (and preserved if possible, but not enhanced). Social housing as a proportion of the housing tenures is similar to the situation in New Zealand, Canada and the USA, but smaller than England and Scotland, and much smaller than Ireland and other countries in western Europe.[4] There is nothing magical about a particular percentage such as 5%, but we suggest that a low proportion presents difficulties for meeting unmet demand, diversifying tenant profile, and flexibility in asset utilization. For these reasons we generally prefer there to be an increase in *net* supply of social housing, and we use the word 'additional' rather than 'new' to indicate this.

The different implications of the terms can be seen in Table 1 (page 5). In relation to public housing, movement on the capital side will involve sales, demolitions, and transfers to other social housing providers, and also completions of construction. The amount of dwellings under public housing management is estimated to decrease from 128,461 to 127,776 (a net movement of -685).[5] If we take out of the calculation those units of public housing owned by and headleased from private owners[6], the capital stock of public housing (owned and managed by the Department of Housing) is estimated to decrease from 125,900 to 125,100 (net movement of -800).

The same table shows that for social housing as a whole (including Aboriginal Housing Office dwellings and Crisis Accommodation Program dwellings) there will be an increase in stock from 148,050 to 148,527 (a net movement of +477). If we take out of the calculation those units of social housing owned by and headleased from private owners, the capital stock in government ownership is estimated to increase from 139,693 to 139,900 (a net movement of +217).

So, we use the term 'additional' to refer to a positive net movement in stock.

TABLE 1: ESTIMATED CHANGES IN SOCIAL HOUSING STOCK 2005-06

	Public housing	Community housing	Crisis accomm.	Aboriginal housing	Total
Capital stock, 1 Jul 05	125,900	6,663	1,186	5,974	139,693
Leased stock, 1 Jul 05	2,561	5,592	204	0	8,357
Dwellings under management, 1 Jul 05	**128,461**	**12,225**	**1,390**	**5,974**	**148,050**
Completions	484	264	26	61	835
Net increase in leases	105	140	15	0	260
Sales	-341	-2	-2	-10	-355
Demolitions	-258	-2	0	-3	-263
Transfers	-675	635	0	40	0
Net movement in stock	**-685**	**1,035**	**39**	**88**	**477**
Capital stock, 30 Jun 06	125,110	7,528	1,210	6,062	139,910
Leased stock, 30 Jun 06	2,666	5,732	219	0	8,617
Estimated dwellings, 30 Jun 06	**127,776**	**13,260**	**1,429**	**6,062**	**148,527**

Source: NSW Department of Housing, '2005/06 New South Wales budget commentary on the Housing Policy and Assistance Program', May 2005, p.27.

2.1 Trends in financing public housing

This section describes some trends in 3 matters relevant to the financial sustainability of the Department of Housing:

- the surplus (deficit) before capital contributions, before and after rental subsidies;
- the contribution to social housing revenue from the Consolidated Fund;
- the respective subsidies to the Department from Commonwealth and state sources.

The data come from the Department's annual reports.[7]

Deficits before capital contributions subsidies

The Department of Housing is classified by the government as a public trading enterprise (PTE), formally the Land and Housing Corporation.[8] There is an other PTE that provides social housing, City West Housing Pty Ltd, but this company does not get subsidies from the Consolidated Fund.

The corporation has been making losses for (at least) the last 6 financial years. See Table 2 (page 7).The last year it did not have a loss was 1996.[9]

These losses have been occurring despite increases in recurrent funding from the Consolidated Fund. The deficit in 2001 was 2/3rds greater than that in 2000. This occurred despite a 23% increase in the contribution from the Consolidated Fund. A

10% increase in property and residential tenancy expenses was a contributing factor.[10] The worst loss in this 6-year period was in 2003.

Why the corporation needs Budget subsidies is related to the nature of its business and the terms on which it supplies services to its customers. It is not a housing provider with a commercial imperative, but one with an objective of providing affordable housing to low-income households. The key means it does this is by foregoing rent revenue from customers according to a rent-setting policy designed to avoid housing stress: rents are variously capped, and 'rebated', at 18%, 25%, or 30% of a tenant's household's income depending on income and historical circumstances (as rent policies have changed and been quarantined for current tenants, over time).[11]

Without that rental subsidy, the corporation's tenants would not achieve housing affordability. Tenants of public rental housing are not eligible for Centrelink rent assistance, in contrast with (eligible) private renters, tenants of mainstream community housing associations, tenants of Indigenous community housing organizations, and tenants of state-owned and managed Indigenous housing.

The value of Centrelink rent assistance to an average NSW public housing tenant household, were public housing tenants to be eligible, was $5,034 (in 2004-05).[12] Doing a 'back of the envelope' calculation: if all 122,570 rebated NSW public households were eligible for Centrelink rent assistance and at that average rate[13], there would be a Commonwealth subsidy to the NSW public housing sector of $617,594,382. In contrast, the Commonwealth subsidy to New South Wales under the CSHA in 2004-05 was $268,107,000.

The rental subsidy is a mechanism for differential pricing for certain customers (based on income), and some 89% of customers qualify. The value of the revenue foregone is not regarded as a *community service obligation* (CSO) payment by the state government[14], that is specifically subsidized (as such) from the Consolidated Fund.[15]

If the corporation did not have a policy of giving rental rebates, its budget situation would be different. Table 3 (page 7) indicates that had the corporation charged rent to all tenants on the basis of market rents, it would have had a surplus in each year of that 6-year period. Following a study of the budgets of all Australasian public housing authorities, Hall noted that if the corporation received a commercial return based on market rents it would be 'financially robust' and could provide an appropriate net operating rental return each year.[16]

TABLE 2: DEPARTMENT OF HOUSING DEFICITS BEFORE CAPITAL CONTRIBUTIONS, 1999-2005

	99-00	00-01	01-02	02-03	03-04	04-05
Revenue	$'000					
Market rent	994272	1002440	1100538	1096578	1102684	1103045
less: rental subsidies	577918	557934	625955	607509	573192	551072
Net rent	416354	444506	474583	489069	529492	551973
Consolidated Fund	120270	148130	195667	180407	278721	394187
Interest	11581	10133	12909	21325	18818	86542
Other revenue	86440	59269	80732	70531	111829	80764
	634645	662038	763891	761332	938860	1113466
Expenses						
Property + residential tenancy	293317	326725	352863	400198	421129	345996
Employee-related + admin	178604	202466	254564	275265	281948	309186
Depreciation	159554	185590	205984	211446	238176	248237
Other expenses	149422	192856	170269	152566	169197	289766
	780897	907637	983680	1039475	1110450	1193185
Surplus before capital contributions	-146252	-245599	-219789	-278143	-171590	-79719

Source: Department of Housing annual reports.

TABLE 3: DEPARTMENT OF HOUSING SURPLUSES BEFORE RENTAL REBATES AND CAPITAL CONTRIBUTIONS, 1999-2005

	99-00	00-01	01-02	02-03	03-04	04-05
Revenue	$'000					
Market rent	994272	1002440	1100538	1096578	1102684	1103045
Consolidated Fund	120270	148130	195667	180407	278721	394187
Interest	11581	10133	12909	21325	18818	86542
Other revenue	86440	59269	80732	70531	111829	80764
	1212563	1219972	1389846	1368841	1512052	1664538
Expenses						
Property + residential tenancy	293317	326725	352863	400198	421129	345996
Employee-related + admin	178604	202466	254564	275265	281948	309186
Depreciation	159554	185590	205984	211446	238176	248237
Other expenses	149422	192856	170269	152566	169197	289766
	780897	907637	983680	1039475	1110450	1193185
Surplus before capital contributions	431666	312335	406166	329366	401602	471353

Source: Department of Housing annual reports.

Subsidies from the Consolidated Fund

The Parliament gave a significant (56%) increase in subsidy to the Department from the Consolidated Fund in 2000. The main explanation for this was a works program of $30,429,000. There have been significant increases in Consolidated Fund contributions to recurrent expenses since then: a 23% increase in 2001, a 32% increase in 2002, (a 7% decrease in 2003) and a 54% increase in 2004.[17]

The main explanation for the increase in the Consolidated Fund allocation for recurrent expenses in 2001 was a 484% increase in state funding additional to that required by the CSHA.[18] The increase in 2002 is explained by the same factor: there was a 365% increase in other state funding over 2001.[19] The $14 million of other state funding allocated in 2003 saw a decrease from 2002, but Consolidated Funding recurrent funding was still higher than 2001. There was another big jump in Consolidated Fund allocation to recurrent expenses in 2004: a 54% increase from 2003 (or, a 42% increase on the 2002 allocation). A significant factor was the bringing forward of $35 million of future years' funding to assist the corporation's working capital position.

In the early 2000s, three peculiar Treasury initiatives aimed at helping the corporation's operating position:

- an advance in funding in 2002 to deal with a maintenance backlog ($105 million);
- an advance in 2004 to assist the corporation's working capital position generally ($35 million); and
- an enhancement in 2005 to assist the corporation's working capital position generally ($20 million).

The increased assistance in 2002 followed a 67% increase in the corporation's deficit in 2001 (from 2000), and the increased assistance in 2004 followed a 26% increase in the Department's deficit in 2003 (from 2002).

There has been a steady decline in the capital contributions over the last 10 years, with a downward movement in 1997 and an upward movement in 2002. The increase in 2002 was the result of a $105 million advance in funding for a maintenance backlog.

Commonwealth and state subsidies

The Commonwealth subsidy through the CSHA has contributed some 16-19% of the corporation's total revenue over the last 6 years. See Figure 1 (page 10).

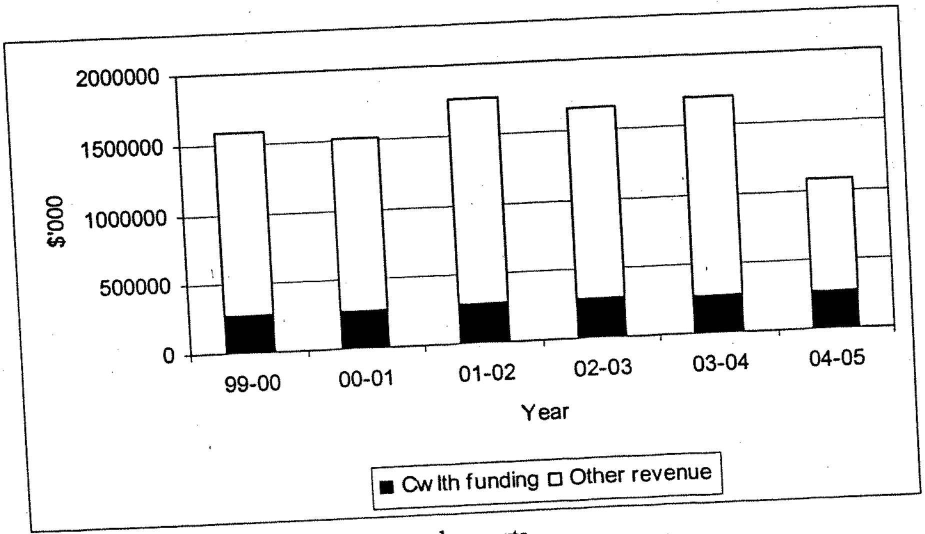
Figure 2 (page 10) gives the Consolidated Fund contributions to the corporation's recurrent and capital programs for the last 6 years, disaggregated into Commonwealth and state sources.[20] The state share of the allocation was 30%, 35%, 48%, 34%, 41% and 32%, for each of those years, respectively. The high state allocation in 2001-02 is explained by an 'other' allocation of $143 million, $105 million of which was an advance in funding to deal with a maintenance backlog;

without that advance the 'other' subsidy in 2002 would not have been extraordinary.

New South Wales owes the Commonwealth for loans under the CSHA for the period when the Commonwealth's subsidy was given in the form of loans not grants (i.e. from 1945 to 1989). New South Wales repays some of the outstanding principal and interest each year. For the last 6 years, New South Wales has been paying back the Commonwealth an annual amount equivalent to 7-8% of the grant subsidy. See Figure 3 (page 11). This amount is, in effect, paid for from the Consolidated Fund capital contributions (which have been falling since 2002: see Figure 4 (page 11)).

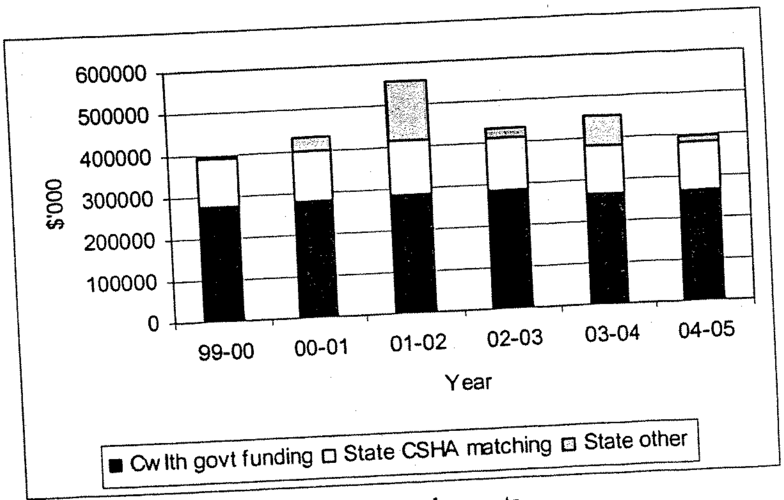
Hall reports the Department of Housing has reduced its exposure to debt and substantially reduced its debt servicing payments on debt.[21]

FIGURE 1: COMMONWEALTH SUBSIDY AS SHARE OF TOTAL REVENUE OF DEPARTMENT OF HOUSING, 2000-05



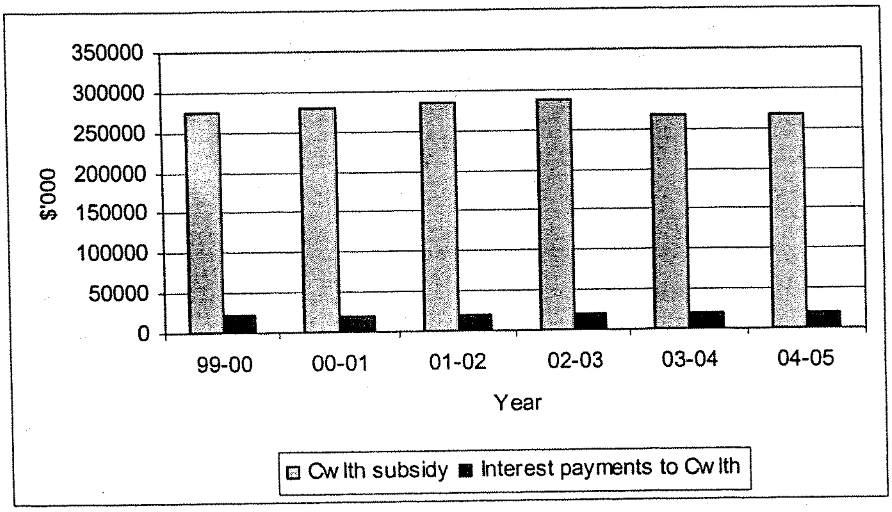
Source: Department of Housing annual reports.

FIGURE 2: CONSOLIDATED FUND SUBSIDIES TO DEPARTMENT OF HOUSING, 2000-05



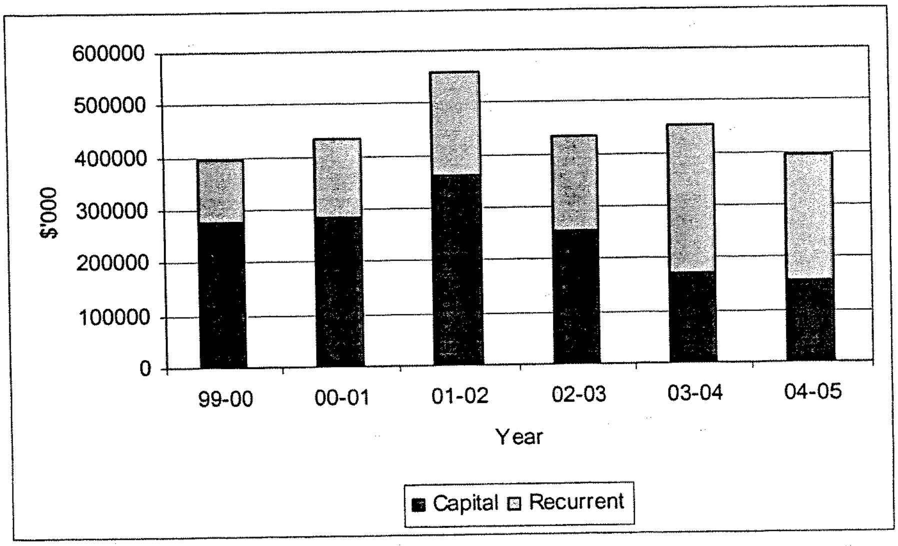
Source: Department of Housing annual reports.

FIGURE 3: COMMONWEALTH SUBSIDY TO NSW AND INTEREST PAYMENTS TO COMMONWEALTH, 2000-05



Source: Department of Housing annual reports.

FIGURE 4: CONSOLIDATED FUND ALLOCATIONS TO SOCIAL HOUSING PROGRAMS, 2000-05



Source: Department of Housing annual reports.

2.2 New and enhanced financing for social housing

This section discusses three sources of financing of social housing:

- rents from tenants
- grants from taxation
- loans
- private sector investments

Rents

Rent revenue is the most important revenue source for the corporation, with net rents providing 50% of the Department's revenue in 2004-05. See Table 4 and Figure 5.

The current approach to rent-setting – whereby some 89% of public housing tenants are not charged the market rent, but rather a lesser amount based on reducing housing stress against an affordability benchmark[22] – is a contributing factor to the corporation's financial straits.[23] As indicated above (page 5), an explicit government subsidy to the corporation to meet that cost (foregone revenue) would address the corporation's trading deficits, and indeed make the corporation a 'very profitable business[24]'.

As also noted above (page 6), public housing tenants (unlike other social housing tenants) are not eligible for Centrelink rent assistance.[25] This anomaly has led to a number of proposals for reform – which would need the participation of the Commonwealth government. One recent reform proposal is from Swinburne University academic Terry Burke.[26] He proposed the replacement of the current Centrelink rent assistance scheme with a new scheme for which both private renters and social housing tenants would be eligible. The scheme would have 2 tiers of payment, a base payment and a supplementary payment. The 1st tier would be basically the current scheme, but with public housing tenants being eligible: the payment is made to the tenant. The 2nd tier would be an additional payment ('rent assistance plus') payable to *landlords* who are willing to offer long-term secure leases (e.g. 5 or more years) and to take tenants from a common wait-list. This would mean that public and community housing providers would get revenue from rent assistance (captured in rent setting) and 'rent assistance plus'. Private landlords would get revenue from rent assistance (indirectly – captured in rent setting), and they would also directly get a 'rent assistance plus' payment if they agreed to long-term leases (5 years), took tenants from the social housing wait-list (non-complex needs households only), and agreed to a fair rent (e.g. 85% of market value). The revenue implications of this scheme for the mainstream public and community housing sectors would be the bringing in of revenue from their tenants/households at about the same level as the average household subsidy from the Commonwealth under the CSHA. There would be a shortfall to meet their operating costs which would have to be met by a state government subsidy from state treasury sources (community service obligation), but this shortfall would in effect be an equivalent of the 'matching funds' required of the states under the CSHA.

He argued that an effect of the model would be that public and community sector landlords would have an annual revenue stream at a level that enabled accumulation of capital for new works, a capacity that would expand as new stock is added to their portfolios.[27]

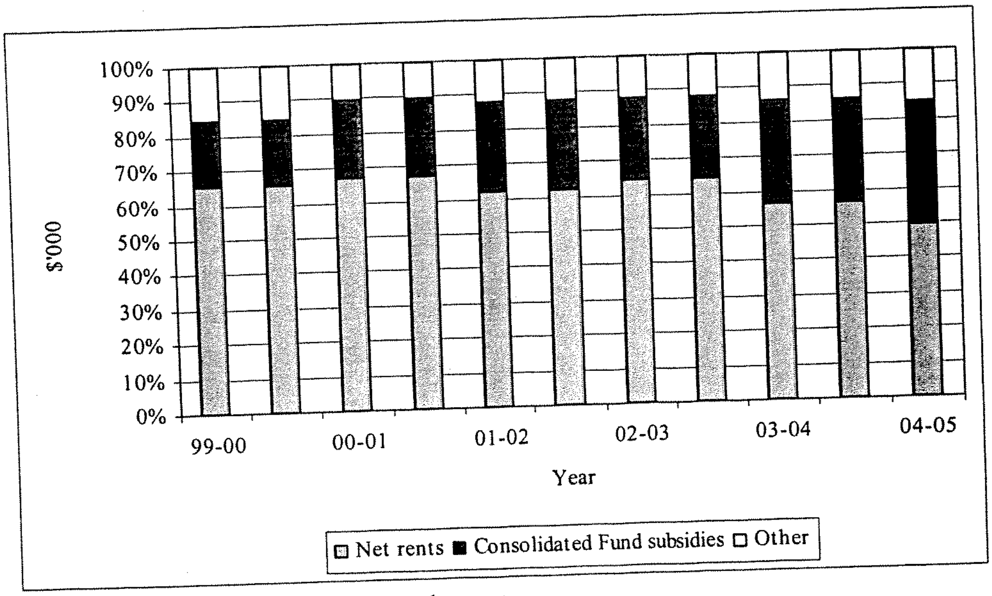
He also argued that the model, in breaking the link between matching state and Commonwealth payments under the CSHA, would eliminate the state–federal politics around the CSHA.

TABLE 4: SOURCES OF DOH REVENUE, 2000-05

	99-00		00-01		01-02		02-03		03-04		04-05	
	$'000	%	$'000	%	$'000	%	$'000	%	$'000	%	$'000	%
Net rent	416354	66	444506	67	474583	62	489069	64	529492	56	551973	50
C Fund	120270	19	148130	22	195667	26	180407	24	278721	30	394187	35
Other	98021	15	69402	10	93641	12	91856	12	130647	14	167306	15
	634645		662038		763891		761332		938860		1113466	

Source: Department of Housing annual reports.

FIGURE 5: SOURCES OF DOH REVENUE, 2000-05



Source: Department of Housing annual reports.

Taxation and grant subsidies

The Commonwealth's grants to the states' and territories' social housing have been reducing over time, with a decline in grants under the Commonwealth–State Housing Agreement from $322 m in 2000–2001 to $293 m in 2002–2003. This trend seems to be based on political reasons rather than a lack of money. National advocacy by nongovernment organizations like the Australian Council of Social Service and National Shelter have not been able to reverse the trend of reduced Commonwealth spending on social housing, despite healthy Commonwealth budget surpluses.

In the absence of more grant funding forthcoming from the Commonwealth, there is more focus on the state government's willingness and capacity to pay. In the 2005-06 budget the Parliament gave the Department a $20 million enhancement funding for working capital, as a 1st payment of $190 million to be provided over 4 years.[28]

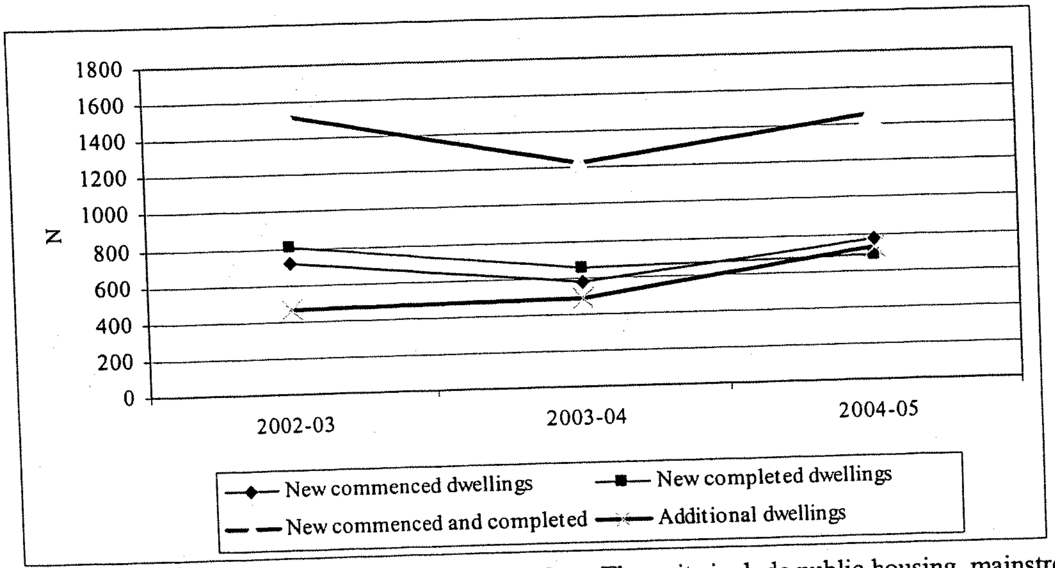
However, the number of additional properties (i.e. from construction or acquisition) has been less than 1,000 units in each of the last 3 years.[29]

TABLE 5: NEW PUBLIC AND COMMUNITY HOUSING PROPERTIES, 2002-05

Units	2002-03	2003-04	2004-05
Dwelling commencements:			
acquisition	194	235	369
redevelopment	454	272	311
construction	14	7	46
conversion	60	62	49
total commencements	722	576	775
Dwelling completions:			
acquisition	234	235	305
redevelopment	529	341	316
construction	27	9	13
conversion	16	67	49
Total completions	806	652	683
Total commenced and completed:	1528	1228	1458
Total **additional** dwellings:	469	486	733

Source: Department of Housing annual reports. Note: The units include public housing, mainstream community housing, and Crisis Accommodation Program dwellings.

FIGURE 6: NEW PUBLIC AND COMMUNITY HOUSING PROPERTIES, 2002-05



Source: Department of Housing annual reports. Note: The units include public housing, mainstream community housing, and Crisis Accommodation Program dwellings.

The NSW budget is expected to have a small surplus at the end of the current financial year, of $21 million, and it might indicate a $533 million deficit in 2006-07.[30]

In this situation, funding for social housing from state sources must 'compete' with programs and new expenditures in other portfolio areas. Social housing has not been 'good' at attracting adequate levels of support (subsidy) for a number of reasons – its nature as a private good has less limited (universal) appeal compared with places in government schools and government hospitals; the nonhousing outcomes of public housing, which yield positive spillover benefits to society generally, have not been sufficiently recognized[31]; and the social disfunction associated with some public housing estates might discourage 'throwing good money after bad'.

The case for more state government subsidies to social housing rests on both the housing and nonhousing outcomes of social housing to both individual beneficiaries (tenants) and society generally through spillover benefits.

We recognize that New South Wales needs to diversify its revenue sources – and for this reason we support a progressive land tax system broadly – and to get a better deal from the Commonwealth under the Commonwealth Grant Commission methodology for distributing Commonwealth general revenue assistance to the states and territories.

There are no legal (including constitutional) constraints on the NSW government raising taxes to finance social housing. The Fiscal Responsibility Act 2005 includes a principle of 'constrained growth in net cost of services and expenses', and a principle of 'tax restraint'.

Apart from grants, governments can use taxation expenditures to promote social housing. In the USA, the federal government allows a 'low-income housing tax credit' as a device to stimulate investment in low-rent rental housing.[32] In Australia, while some nongovernment organizations such as the Australian Council of Social Service have suggested the Commonwealth government introduce a similar scheme, in the NSW state sphere, nongovernment organizations have suggested variants – both proposals are designed to encourage private investment in residential housing that is leased to low-income tenants.

- Shelter NSW has proposed exemption from land tax for land used and occupied primarily for low-cost accommodation in the inner-ring and some middle-ring suburbs of Sydney, rather than just to such properties located within 5 kilometers of the Sydney GPO.[33]
- The NSW Council of Social Service has proposed removal of stamp duties from privately-owned residential properties headleased with long-term leases of 10 years to mainstream community housing and Aboriginal community housing organizations.[34]

Shelter NSW is currently working on a paper on issues for promoting more investment in and provision of privately-owned housing for low-income renters. Some of the considerations in it will have relevance to the Department of Housing's private-sector headleasing program for community housing associations (see below, page 29).

In the meantime, we draw three matters to the Committee's attention for consideration in the state budget context:

- A need to ensure that the balance of the $190 million promised in the 2005-06 budget as enhancement funding for working capital to the Department of Housing over 4 years (i.e. the remaining $170 million) will be allocated to the department notwithstanding other calls on state government revenue in the event of a budget deficit in 2006-07.
- A need to put the Land and Housing Corporation as a public trading enterprise providing public housing on a more sustainable and predictable financial footing than the current situation that is characterized by emergency bailouts (ad hoc advances and enhancements) by Treasury year-in year-out. This could be solved by identifying the difference between market rents and net rents as a community service obligation and compensating the corporation for that amount on an ongoing basis, in the same ways that the government 'purchases' community service obligations from other public trading enterprises.
- A need to lobby the Commonwealth to resolve the anomaly of public housing tenants not being eligible for Centrelink rent assistance and to reconfigure the scheme in a way that provides revenue to all social housing providers.

RECOMMENDATION 1: THAT THE COMMITTEE SUPPORT THE BALANCE OF THE $190 MILLION PROMISED IN THE 2005-06 BUDGET AS ENHANCEMENT FUNDING FOR WORKING CAPITAL TO THE DEPARTMENT OF HOUSING OVER 4 YEARS BEING ALLOCATED TO THE DEPARTMENT NOTWITHSTANDING OTHER CALLS ON STATE GOVERNMENT REVENUE IN THE EVENT OF A BUDGET DEFICIT IN 2006-07.

RECOMMENDATION 2: THAT THE COMMITTEE SUPPORT THE GOVERNMENT PURCHASING THE DIFFERENCE BETWEEN MARKET RENTS AND NET RENTS IN PUBLIC HOUSING AS A COMMUNITY SERVICE OBLIGATION, ON AN ONGOING BASIS.

RECOMMENDATION 3: THAT THE COMMITTEE RECOMMEND THE GOVERNMENT NEGOTIATE WITH THE COMMONWEALTH GOVERNMENT FOR A RECONFIGURATION OF CENTRELINK RENT ASSISTANCE THAT WOULD ENABLE ELIGIBILITY TO PUBLIC HOUSING TENANTS AND CAPTURE OF THE PAYMENT AS A REVENUE SOURCE FOR ALL SOCIAL HOUSING PROVIDERS.

Loans

Governments might finance expenditures by raising loans, as an alternative to taxation, though taxation-revenue would be needed to repay a loan. Loans raise the issue of intergenerational equity – there could be a case for financing physical infrastructure through debt so that the burden is shared across present and future beneficiaries.

There are no legal (including constitutional) constraints on the NSW government raising loans to finance public housing.[35] However, the current government (and the Opposition) are committed to fiscal prudence. The Fiscal Responsibility Act set medium-term financial targets of reduction of general government sector net financial liabilities as a proportion of state product to 7.5% or less by 30 June 2010, and maintaining underlying general government net debt as a proportion of gross state product (GSP) at or below its level as at 30 June 2005.[36]

There is a significant asset base in public housing in New South Wales, whose potential for raising finance remains untapped. We discuss one way of doing this below (page 30).

Private sector investments

There are 4 ways in which private sector financing could be mobilized to provide additional social housing:

- public–private partnerships
- developer contributions for affordable housing
- private housing owners headleasing rental properties to social housing providers

Public–private partnerships

The NSW government has a policy of pursuing public–private partnership (PPP) projects where they would produce better value for money than direct grant-funded projects:

> … the availability of private finance is not regarded as a means of wholesale acceleration of government-funded projects – ideally, projects that will ultimately be funded by the public purse should be approved on the basis of conventional capital funding prior to being considered for privately financed or partnership delivery.[37]

The NSW treasury secretary has noted: 'Even though social infrastructure may be financed by the private sector, the government, through payments made through the contract's life will ultimately fund it.'[38]

The NSW Department of Housing has a number of PPP projects. It says that, in undertaking PPPs, it is committed to ensuring:
- an overall net increase in social housing stock in the short to medium term;
- projects that demonstrate real value for money;
- a greater diversity in community outcomes;
- protection of tenants' access, rights and responsibilities.[39]

PPPs could have value in some circumstances. Taking for granted that a PPP should not be considered unless it meets the value for money and public interest criteria in the NSW government's *Guidelines for privately financed projects*, those circumstances could include (but not be restricted to) where –
- there is pressing need for reconfiguration of current stock, e.g. in appropriate or degraded housing;
- no moneys are likely to be forthcoming for redevelopment from other sources (such as grants or loans);
- better use could be made of land where there is an estate, to achieve higher densities under local government development controls;
- positive social outcomes from regeneration, e.g. upgraded amenity of the stock and/or enhanced social mix in an upgraded estate, outweigh any 'negative' economic factors

It is unlikely that PPPs are the panacea for the overall sustainability crisis in public housing. They might be a supplement but not an alternative to taxation and debt options. They could be useful for regeneration of some estates. On the other hand, PPPs as a mode of regenerating public housing estates present a number of potential barriers:
- The PPP path will work best where the land value of the estate is more promising, tempting decision-makers to choose a site for a PPP-redevelopment primarily on asset management grounds, rather than a full range of social, economic and environmental grounds, as appears to be the case in Minto and Bonnyrigg.
- If a redevelopment involves a net loss of social housing on the site, it might be hard to offset that loss in locations that are as good or better as the original site, in terms of access to public transport, civic services, and employment opportunities.
- They inevitably involve dislocation and relocation of existing tenants.

'Affordable housing'

In the national debate around the crisis of social housing there has been some discussion about 'affordable housing', either as a concept that includes social housing or as a different product – one more targeted to low-moderate income earners, rather than to very low-low income earners. In the search for financing sources for 'affordable housing', there has been greater focus on the potential role of the environmental planning system, especially that part managed by local governments.

Shelter NSW supports a policy focus on affordable housing rather than just social housing as a way of building broader coalitions for action on housing unaffordability.

We also support greater use of environmental planning instruments – *state*, as well as local – to capture planning gain for affordable housing projects. However, it is the *state* government that has the primary role in planning for and providing affordable rental housing. Local governments do not have the resources to fill in the gap left by neglected social housing programs, and would rightly resent devolution of major responsibility for affordable housing to them as cost-shifting. However, local governments are in a position to directly contribute to increased supply of affordable housing, through their capacity to seek developer contributions.

The capacity and willingness of more councils to levy contributions for affordable housing would be enhanced by amending State Environmental Planning Policy 70 so that it covers the whole state, recognizes more than 2 local government areas as areas with a need for affordable housing, and readily incorporates local governments' affordable housing schemes.[40] The report from the Legislative Committee Standing Committee on Social Issues inquiry into community housing (at recommendation 29) recommended introduction of a statewide SEPP on affordable housing.

Headleasing privately-owned properties

The Department of Housing currently runs programs that involve headleasing privately-owned properties for social housing, in the public housing, mainstream community housing, and Crisis Accommodation Program sub-sectors. See Figure 7.

As indicated above (page 16), a number of nongovernment organizations have put proposals to government to encourage more investment in the lower-priced segments of the private rental market with community housing associations managing the stock.

FIGURE 7: SOCIAL HOUSING DWELLINGS HEADLEASED FROM PRIVATE SECTOR, 2004-05

	Public housing	Mainstream Community housing	Crisis Accommodation Program	Total
N	2,539	5,546	204	8,289
%	30.6	66.9	2.5	100

Source: Department of Housing annual report 2004-05.

3. The effectiveness and appropriateness of housing allocations

An allocation system is a mechanism for matching demand with supply, and, in a situation where demand exceeds supply, of rationing. This section discusses:

- supply and demand issues for affordable rental housing
- eligibility criteria as a means of rationing
- the fast-tracking of applications
- customer choice in the allocation process

3.1 Need, supply, and demand

There is a difference between need and demand. The numbers of applicants on the Housing Register (waiting list) is a demand indicator, but it is not an indicator of the *need* for affordable rental housing.

A commonly-used needs indicator is the proportion of people living in financial housing stress (housing unaffordability) based on proportion of household income spent on recurrent housing costs. A fifth of the households in eastern Australia in housing unaffordability are in Sydney.[41] Nine of the top twenty ABS statistical local areas with the highest estimated number of households in unaffordable housing are in Sydney. All statistical local areas in Sydney have a very high number of households in unaffordable housing, compared to other statistical local areas in eastern Australia. An estimated 7% of Sydney households are in housing unaffordability.[42]

The Department of Housing has estimated that there are 175,000 private renter households in New South Wales who are in housing stress.[43]

The demand for social housing will be affected by the number of private renters in housing stress who are unable to find suitable housing in the private market. There is a shortage of supply of dwellings for rental in the private market for households with low-moderate incomes. There was a shortage of 36,000 such dwellings in Sydney in 2001, for households with low-moderate incomes of up to $447 a week (the lowest 22% of household incomes): see Table 6.[44]

If the Department of Housing was to match the 36,000 shortfall in low-rent housing in the private rental sector in Sydney with an equivalent increase in supply, that would be a massive task. If the Department was to aim to supply social housing to meet that need within 10 years, that would involve an acquisition program of 3,600 new social housing units in each year of those 10 years. Compare that target with the less than 1,000 additional units there have been in each of the last 3 years.

TABLE 6: SHORTAGE OF AFFORDABLE PRIVATE RENTAL HOUSING IN NEW SOUTH WALES

	Weekly income $2001	Sydney	Rest of New South Wales
Low	< $ 223	-14,000	-9,000
Low	< $ 335	-24,000	-3,000
Low-moderate	< $ 447	-36,000	9,000
Low-moderate	< $ 558	-27,000	36,000
Moderate	< $ 670	13,000	51,000
Moderate	< $ 782	31,000	44,000
Moderate	< $ 893	49,000	38,000
Moderate-high	< $ 1,117	68,000	24,000
Moderate-high	< $ 1,340	68,000	14,000
High	< $ 1,675	52,000	7,000
High	< $ 2,234	10,000	0
High	$ 2,234+	0	0

Source: Judith Yates, Maryann Wulff and Margaret Reynolds, *Changes in the supply of and need for low rent dwellings in the private rental market*, Australasian Housing and Urban Research Institute, Melbourne, June 2004, p.51.

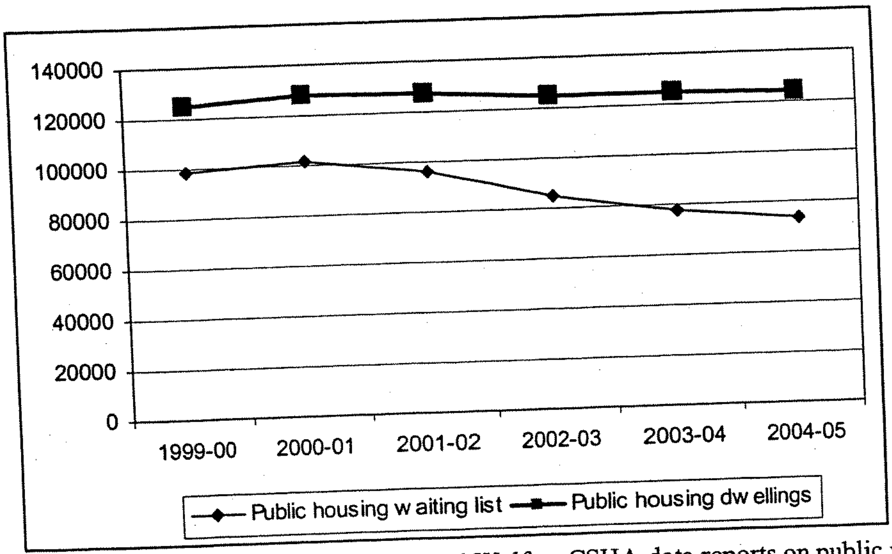
There has been a steady-state of supply of public housing over the last few years, with the quantity of stock in 2005 just slightly less than what it was 5 years earlier.[45] At the same time, there has been a marked decrease in numbers on the public housing waiting list (see Figure 8, page 22), with a much steadier demand for community housing (see Figure 9, page 22).

There are a number of reasons for the decline in the public housing waiting list, including:

- a decade-long freeze on the income eligibility threshold (see page 23), which has foreclosed this option to many low-income households;
- a 'self-filtering' by potential applicants: a 2002 study of 2,326 waiting list households and 2,493 non-waiting list households, Australia-wide, found that, among low-income households in private rental who were potentially eligible for public housing, those who valued security of tenure tended to apply for public housing, while those who valued choice tended to remain in private rental[46];
- long waiting times for allocations'; and
- poor awareness of the benefits of public housing in mainstream media and the general public.

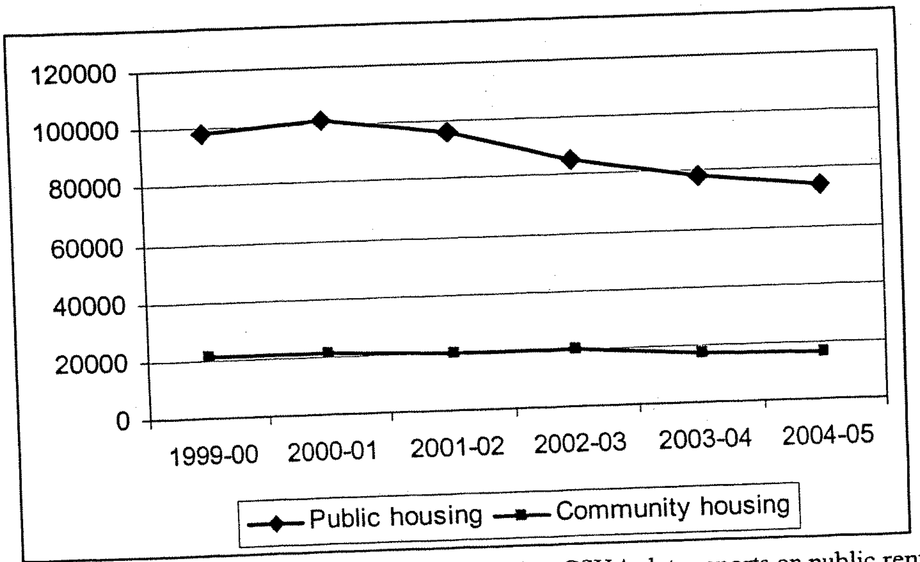
And yet there has been steady population growth and a growth in the number of households associated with social changes in preferred household type.

FIGURE 8: PUBLIC HOUSING SUPPLY AND DEMAND, 2000-05



Source: Australian Institute of Health and Welfare CSHA data reports on public rental housing.

FIGURE 9: PUBLIC AND COMMUNITY HOUSING WAITING LISTS, N, 2000-05



Source: Australian Institute of Health and Welfare CSHA data reports on public rental housing and CSHA–community housing.

3.2 Eligibility

Under the *NSW government plan for reshaping public housing*, the eligibility criteria for public housing will change so that eligibility assessment focuses on income and needs. For the last decade the eligibility criteria were, formally, at least, income-based. The income limits for determining eligibility for public housing were, at March 2005 (for household size and total weekly household income): 1 person $395, 2 people $500, 3 people $580, 4 people $665, 5 people $720, 6 people $775.[47] These thresholds have not changed for about 13 years (from January 1992).

Applicants who applied for public housing before the changes were announced (27 April 2005) were assessed under the old, income criteria. Applicants who apply between 27 April 2005 and 30 June 2006 will be assessed under the old, income criteria, but will be re-assessed under the new criteria after 1 July 2006. Applicants who apply from 1 July 2006 will be assessed under new criteria.

While the old eligibility criterion was income-based, other needs factors applied in practice for those who met the tight income criteria. 55.7% of new households were allocated to people with 'special needs' (2004-05 data)[48], and 23% of new allocations were allocated on the basis of 'greatest need'[49]. (Special need is officially defined as being Indigenous, having a person with a disability in the household, where principal tenant is aged 24 or under, or where principal tenant is aged 75 or more.[50] Greatest need is officially defined as low-income households that were in 1 of the following circumstances at the time of housing allocation: they were homeless; their life or safety was at risk in their housing; their health condition was aggravated by their housing; their housing was inappropriate to their needs; or, they had very high rental costs.[51])

The new eligibility criteria have not yet been released. Informational materials released at the time the *NSW government plan for reshaping public housing* was announced indicate there will be three criteria.

The 1st will be about income. We understand that the income thresholds will not substantially change but they will be presented by household type, rather than numbers of persons in the household as previously. The frozen income limits for eligibility have had the effect of progressively restricting who can access public housing, and of producing lower waiting list numbers over the years.[52] The change will compound problems associated with concentrating people with complex needs in one form of housing.

The 2nd criterion will be about social characteristic. The characteristics that have been named are: frail older people over 80, aged pensioners, people with a disability, families with children, young people under 20 without parental support, homeless people, unemployed adults, and low-waged adults. Age pension status, being unemployed, and being low-waged are income-based criteria, so that new 'needs' categories are in fact a mix of income and needs. Of the other needy groups, homeless people are currently eligible for a greatest need allocation. Of the other groups, older people and younger people fall within the majority of new allocations with 'special needs' currently being allocated. Disallowing low-income people without special needs will reduce the diversity of the social profile of the Department of Housing's tenants by increasing the proportion with special needs.

The 3rd criterion will be about whether the applicant can access suitable affordable housing elsewhere (e.g. in the private rental market).

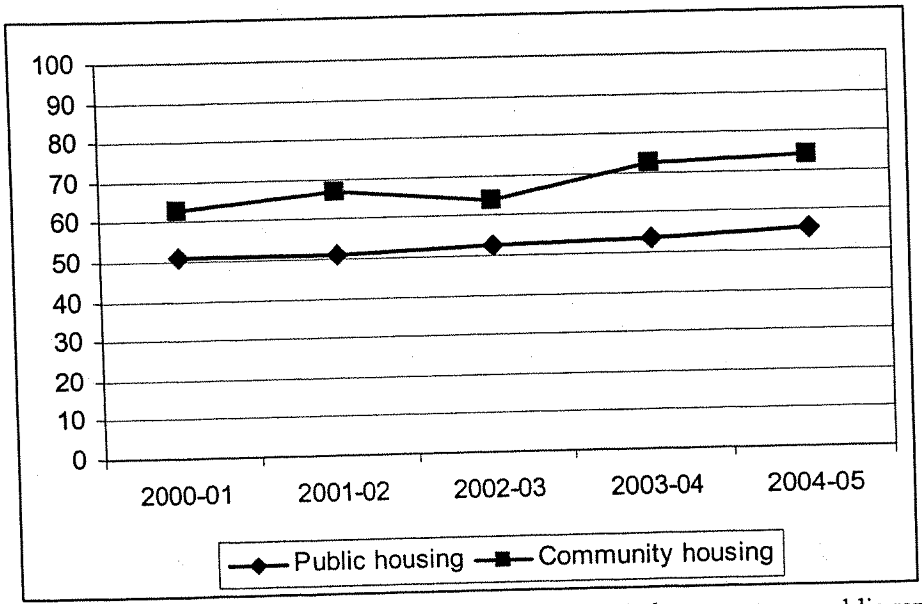
We have argued against the key directions of the *NSW government plan for reshaping public housing*, including the change to eligibility policy. We support a liberalization of the income test thresholds. We recognize that many of the applicants for public housing will have special needs and should be assisted by government with affordable, secure and appropriate housing (which does not have to be owned and managed by government[53]). That housing could take the form of:

- independent housing, with any necessary *accommodation support* purchased from support/welfare agencies (such as nongovernment disability organizations that provide 'Supported Living' services, or the joint service partnerships that exist between some community housing associations and SAAP agencies); or
- *supported accommodation*, where the support is provided by the housing provider (as is the case with most SAAP services).

In relation to estates and the Government's estate regeneration strategies, we have suggested that the proportion of new tenancies on public housing estates undergoing regeneration or renewal that are allocated to households with special needs be limited to 25%; this is about half of the NSW state average (55%) of new allocations being for applicants with special needs.

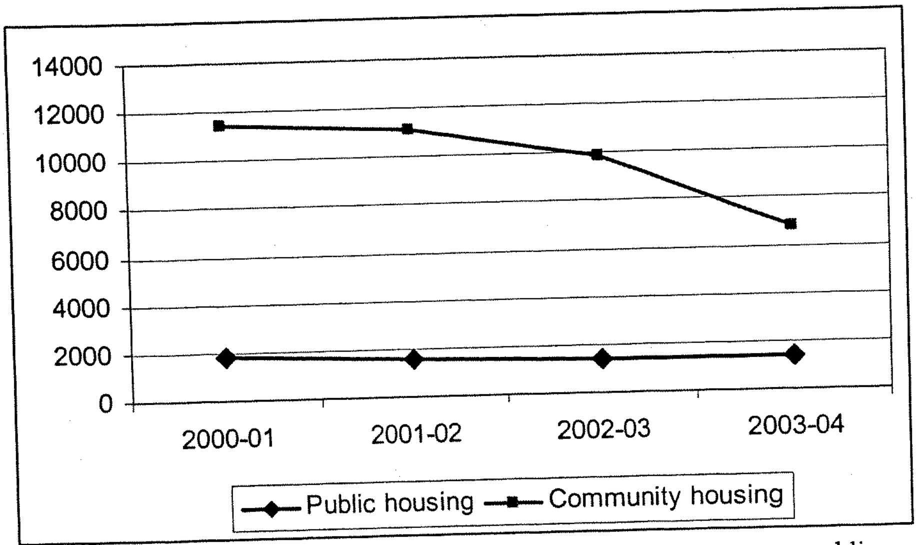
We are aware that there is a fundamental paradox in advocating for broader eligibility for social housing than those customers eligible for public housing under the *NSW government plan for reshaping social housing*. That is: to the extent that there are any low-moderate income households allocated a scarce social housing vacancy, there is an opportunity cost experienced by an eligible low-income applicant with special needs (namely, a delayed allocation). The Department has made this quite clear: its priority is to house very-low income people especially those with special needs, and no one else.[54] It's about picking winners. We have not argued, and do not argue, for a massive allocation to low-moderate income earners at the expense of very low–low income earners, and certainly not for the exclusion of applicants with special needs. Rather, we have argued against the diminution of the limited social mix there is in the public housing customer profile now, and against too tight a definition of what constitutes 'low income'. In the short term our approach would increase waiting times for some eligible applicants, but we are trying to contribute to public debate options that are about more than treading water and are about a social housing system that caters to a diversity of needs among low–moderate income earners in housing stress.

FIGURE 10: PROPORTION OF SPECIAL NEED ALLOCATIONS TO SOCIAL HOUSING (%), 2001-05



Source: Australian Institute of Health and Welfare CSHA data reports on public rental housing and CSHA–community housing.

FIGURE 11: GREATEST NEED APPLICANTS ON SOCIAL HOUSING WAITING LISTS, 2001-05



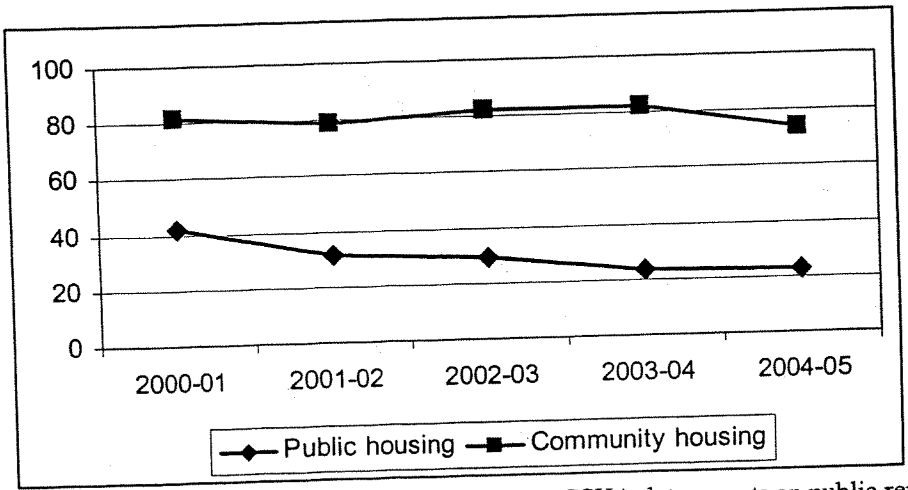
Source: Australian Institute of Health and Welfare CSHA data reports on public rental housing and CSHA–community housing.

3.3 Fast-tracking priority applications

The current (old/pre-*Reshaping*) allocation system is a segmented one with a core 'wait turn' component topped up by a fast-tracked component called a priority allocation. The number of applicants for public housing who are eligible for a greatest need allocation has been fairly steady over the last few years, with some 1,400 such applicants at June 2005 (see Figure 11, page 25). Yet, a fifth of new tenancies are allocated to applicants with a greatest need (see Figure 12). Less than a half (44%) of greatest needs applicants do not get an allocation of a dwelling within 3 months.[55]

We understand from the Department of Housing that, with the proposed new eligibility criteria for public housing (see page 23), a 'priority allocation' mechanism will become redundant.

FIGURE 12: PROPORTION OF GREATEST NEED ALLOCATIONS TO SOCIAL HOUSING (%), 2001-05



Source: Australian Institute of Health and Welfare CSHA data reports on public rental housing and CSHA–community housing.

3.4 Allocations

There are 2 problems that successful applicants face on acceptance of their application:

- the waiting time between advice on application and actual allocation of a dwelling, linked to supply-side shortages of dwellings
- choice of dwelling in terms of location and type

As indicated above, the waiting time for nearly half (44%) of greatest needs applicants is more than 3 months.

Tenant choice – apart from any pressure they might be under because of their housing stress and other issues in their lives – is constrained by the corporation's policy on offering a dwelling to a new tenant. The corporation makes 'two reasonable offers' of a dwelling that it considers will meet the new tenant's housing and locational needs. If the applicant rejects those 2 offers, they are removed from the Housing Register.[56]

This strict approach contrasts with practice in the community housing sub-sector. More than half (56%) of community housing workers surveyed as part of a national research project on social housing allocation system said that their agency placed no limit to the number of offers an applicant could turn down.[57] The report's authors commented that such practice seemed 'something of an anomaly' (compared with the practices of public housing authorities) because of the high needs basis of community housing clients and the pressure on places in that sub-sector, and that it might be based on practical experience about factors helping the sustainability of tenancies in the longer term.

4. The role of community housing in meeting demand for social housing

As a social housing product, community housing can be broadly differentiated from public housing by:[58]

- economies of scale associated with the smaller size of the community housing providers;
- generally more responsive customer service consequent or associated with that smaller scale; and
- a more varied range of models of tenant participation, including the existence of rental housing cooperatives as 100% tenant-managed businesses.

Generally, however, the sub-sector is firmly regulated by government, heavily dependent on government subsidies, required to target the same customer groups as those eligible for public housing[59], and constrained to use income-based rent-setting similar in principle to that used in public housing.[60] Some commentators have suggested that there is a convergence of the models: 'Community housing is becoming more like the old public housing, and public housing is becoming more like the old community housing.'[61] We might ask: does community housing *compete* with public housing? Or does it *complement* public housing?

We suggest that the community housing sub-sector will be better able to contribute to outcomes of the social housing sector if it is able to:

- retain the aspects that have historically been its strength, in matters like responsive customer service, innovation, and tenant participation in management; and
- *grow its supply-side capacity to respond to a diverse range of housing needs, including:*
  - *customers with special needs, and*
  - *customers in low-moderate income groups without special needs.*

4.1 Tenancy management for social and private landlords

Community housing providers undertake a tenancy management function on behalf of government and private sector owners of residential properties under 'outsourced management' arrangements. The Office of Community Housing operates different subsidy schemes to the providers depending on the source of the properties.

Those properties headleased from the Land and Housing Corporation are commonly referred to as 'capital' properties and those headleased from the private sector are referred to as 'headleased' properties. However, this submission refers to the former arrangement as headleasing from the government sector and the latter arrangement as headleasing from the private sector.

Headleasing from the government sector

Outsourcing the tenancy management of public housing properties to community housing providers has been a key vehicle for building the resources in the community housing sub-sector. (Such transfers are, of course, not an answer to unmet demand for affordable rental housing, since they do not add to the net supply of social housing dwellings.)

In our submission to a Legislative Council inquiry into community housing in 2002[62], we suggested that:

> Stock transfers from the DoH housing to community housing should be undertaken as part of a planned strategy to maximise opportunities for choice, to increase equity of access to social housing, and/or to assist in processes of community renewal and community strengthening. They should not be used as a 'privatisation by stealth' strategy, or a 'moving the deckchairs' strategy. Rather, the supply of social housing stock should be increased.

A key result of such tenancy-management transfers should be a community housing sector that has ongoing viability through growth. This will enable, among other things, a greater capacity to manage tenancies for applicants with special and/or complex needs: ¾ of new allocations to community housing are to tenants with special needs (see Figure 10, page 25), indicating that this is a role most community housing providers have already adopted. Housing associations may be better placed than the government housing sector to assist such tenants achieve better housing and nonhousing outcomes, because of the more responsive nature of tenancy management in community housing and because of the better links with other welfare services, especially in the nongovernment disability services and SAAP sectors. The fundamental question, though, is about the resources to purchase appropriate support/welfare. The Department of Housing's proposed Accord with state government human service agencies does not address this, and nongovernment SAAP agencies in New South Wales are struggling to survive and do not want the extra caseload.

Community housing associations (in particular, among the state's community housing providers) should have a suitable size of stock to enable them to position themselves as a key provider of social housing to tenants with diverse or complex needs.[63] We recognize that not all community housing associations or providers will want that role (and indeed – as discussed below (page 30) – a targeting to low-moderate income earners is *another path* for growth).

In our submission to the 2002 Legislative Council inquiry into community housing, we submitted that the following procedures should apply in cases of tenanted stock transfer:

- Tenants should have the right to choose individually if they wish to transfer, or choose collectively via a ballot if they wish to transfer.
- Tenants should have the right to choose between different providers.
- Tenants should have the right to have their rents and conditions guaranteed after the transfer.

In the Department of Housing's consideration of outsourcing tenancy management to community housing since that Inquiry, it has indicated that its stock transfer program will involve[64]:

- no forced transfers;
- preservation of tenant rights, using a combination of approaches including:
  - application of existing policies of housing associations,
  - identification of key exceptions such as 18% rent subsidy cap, pets, transfers back into public housing, water usage charges,
  - using dispute resolution vehicles and exploring appeals mechanisms;
- sound, clear and consistent communication with tenants and stakeholders about the program and what it means;
- bringing properties up to the Department's Asset Condition Standard, either before or after transfer, and identifying future property maintenance liabilities.

The first large-scale voluntary stock transfer under this approach is being undertaken in Mudgee, with the aim (subject to tenant's consent) of transferring all the entire town's public housing over to management by the Central Tablelands Housing Association. The current pace of transfer is quite slow, however, and we understand that the transfer target set for 2005-06 might not be achieved.

Headleasing from the private sector

Headleasing from the private sector has the positive result of ensuring the housing is let to low-income people. The process creates a secondary rental market for low-income renters, and ensures that the low-rent housing stock that there is in the private market is allocated to low-income renters (who compete for low-rent stock in the private market with moderate-high income earners). The option has been called *replacement*[65], i.e. the community housing provider replaces a private landlord as the provider of affordable housing. We are not aware of any research that indicates that properties headleased to community housing providers would not have been leased to low-income renters anyway, or the impacts of this program on the lower-priced segment of rental housing markets in the various regions around the state.

Headleased properties from the private sector creates locational advantages and flexibility, and the arrangement has the advantage of providers being able to house people in need quickly. In addition, community housing providers have a non-discriminatory allocations policy that benefits people, e.g. Aboriginal-Australians who can experience market access problems in private housing markets. One of the major problems in public housing, particularly, is that the dwellings do not match the needs of a changing market. In earlier times dwelling construction was aimed at meeting the needs of a market substantially composed of nuclear families with 2 parents and several children. In recent decades, this market profile has substantially changed, with a steep increase in single and single-parent applicants.

On the other hand, headleasing properties from the private sector is more expensive than headleasing from the government sector.

Moreover, headleasing from the private sector does not increase the supply of affordable housing – just as headleasing from the public sector does not. (Headleasing from private landlords can, however, ensure there is some social housing in locations where there is no public housing.) So there needs to be *market supplementation*[66], i.e. the community housing sub-sector needs to be able to contribute net increases in supply of affordable housing. Neither of the headleasing models facilitates that: community housing associations wishing to take on such a role will need to own their own properties and use such assets as a means of attracting venture capital.

4.2 Transfer of title

Community housing associations do not own many properties. They have few assets with which to leverage private financing.

The question of who holds title to community housing properties is the single most important issue whose resolution will determine how community housing can contribute to the overall expansion of the social housing sector (i.e. market supplementation, in Yates's words). At present title to all community housing properties headleased from the government sector is held by the NSW Land and Housing Corporation. While this remains the case, it is impossible for community housing providers to raise private finance against the assets and to grow to better meet demand.

The possibilities for continued expansion of social housing by government grant are problematic. The current trend is for governments to withdraw from social expenditure and to narrow their areas of responsibility. This has been evidenced in the long-term rundown of capital funding provided under the CSHA.

What does it take for the social housing sector to attract private finance? Brian Elton and Associates identified 6 key factors for ensuring the success of private financing options[67]:

- creation of income streams – capturing Centrelink rent assistance to ensure adequate income to meet the costs of private finance;

- appropriate governance structures – ensuring governing boards have the experience in managing business risks to satisfy the concerns of investers;
- performance monitoring – ensuring there is adequate data on both individual organisations and the industry as a whole to enable financiers to undertake proper risk assessment;
- support from government – commitment of government to the sub-sector;
- risk-management strategies – existence of mechanisms within the sub-sector that reduce the risks of individual organizations;
- parcelling funds – consolidated structures that enable efficiency gains in the raising of private funds.

Shelter NSW has advocated resolution of the debate over title for community housing associations as the single most important issue for growth of the community housing sub-sector.[68] If the government were to agree to transfer title of at least some of the public housing properties already tenancy-managed by community housing associations, those associations would be able to use them in an 'active' way – using them to borrow or sell. The problem is that the properties the nongovernment social landlords would have title over are government properties paid for by public money to provide particular services, and the government has not been interested in handing over a public asset where there is a risk it might be lost to provision of those services (if sold, converted to other uses, or allocations policies changed, etc.). However, a government transfer of title would be a subsidy to the sub-sector and an investment in the social housing sector's long-term growth (with only a short-term cost to the public housing sector, of a loss of an asset to that sub-sector). Community housing associations are nonprofit entities, and many of them have charitable and/or public benevolent institution status, so any surpluses from their stock portfolio management would accrue directly to the social housing sector.

Both Shelter and the NSW Federation of Housing Associations advocated for the establishment of a statewide, nongovernment sector–based agency to hold title for community housing associations, in submissions to the 2002 Legislative Council inquiry into community housing. In its report released in November 2003, the Inquiry actually recommended the Department of Housing consider establishing a sector-based intermediary agency to hold equity and title for the housing association and housing cooperative sectors.

However, such an intermediary body might be unnecessary to assuage any fear about potential loss of assets: title could be transferred directly to individual housing associations with caveats on use (and disposal) for re-investment into affordable housing. Its existence might also complicate association's ability to borrow.

Transfer of title differs from the transfer of tenancy management of public housing dwellings to community housing providers that we discussed above (page 28), in 2 ways:

- It is designed to put the social housing sector in a position to leverage the value of dwelling stock to raise private sector finance (or finance from other community organizations).

- It would allow for the development of different tenancy management policies from typical social housing, such as eligibility policies that accommodate low-moderate income earners, and rent-setting policies that are not income-based while achieving affordability outcomes.

RECOMMENDATION 4: THAT THE COMMITTEE SUPPORT TRANSFER OF TITLE OF LAND AND HOUSING CORPORATION OWNED PROPERTIES TO COMMUNITY HOUSING ASSOCIATIONS TO MAXIMISE THE POSSIBILITIES FOR GROWTH OF THE SOCIAL HOUSING SECTOR.

4.3 Eligibility criteria

Eligibility for community housing is tied to eligibility for public housing.[69] The current eligibility limits have these problems:

- They are very tight because they have not changed for over a decade, and so exclude many low-income households, including households with multiple social security recipients.
- They militate against a mixed tenant profile containing a reasonable proportion of tenants who do not need to have their rents subsidized.

It is possible to provide affordable housing using a less stringent approach. Take the case of City West Housing, a public trading enterprise that the government has established to develop and manage affordable rental housing in parts of the City of Sydney. The income test under the company's eligibility criteria considers applicants in three income bands (see Table 7).[70] The 1st, lowest, band is applicants with gross annual household income below $25,825. (Contrast this with the social housing income limit for a 1-person household of $20,540 p.a.) The 2nd band is applicants with gross annual household income between $25,826 and $41,320. The 3rd band is applicants with gross annual household income between $41,321 and $69,989. The company assesses applicants on the basis of having a mix of income groups among its tenants.

This sort of flexible approach to income eligibility is something that community housing providers should be able to develop, especially with properties over which they have title. For this reason, we do not support application of the *NSW government plan for reshaping public housing* to mainstream community housing.

TABLE 7: CITY WEST HOUSING INCOME ELIGIBILITY THRESHOLDS AND RENT AFFORDABILITY BENCHMARKS

Income group	Gross household income p.a.	Rent as proportion of gross household income (%)
1	Below $25,825	25
2	Between $25,826 – $41,320	27.5
3	Between $41,321 – $69,989	30

Source: City West Housing Pty Ltd, 'Eligibility criteria for housing with City West Housing Pty Ltd', n.d.; City West Housing Pty Ltd, 'Rent policy', 16 June 2005.

4.4 Rent-setting

Most rents in social housing are set on an income basis against an affordability benchmark of, typically, 25% of gross household income.[71] The affordability benchmark has been a constitutive feature of this housing. However, low rent revenues contribute to a problem for financial viability of public housing authorities.

Some housing analysts are now asking whether it would be possible to move to other models of setting rents in social housing that would raise more revenue from tenants without jeopardizing affordability principles.[72] Alternative models construct a rent based on a property rent (based on either the costs of managing the property or a sum derived from market estimates of its value) and factoring in a housing benefit or allowance (variably used in England and the Netherlands). These alternative approaches have been considered more for community housing, rather than public housing.

A study by McNelis and others on options for attracting private investment into community housing concluded that private sector investment in community housing would only be financially feasible for community housing associations targeting (in allocations) households that receive some private income in addition to Centrelink payments.[73] Rents would be set as a proportion of the market rent – thus achieving relative affordability – and the tenant would be eligible for rent subsidy (i.e. a direct payment to the tenant based on income and rent, along the lines taken by the Commonwealth's rent assistance payment for social security recipients). They suggested an affordable rent could be achieved by setting the rent at 75% of market rent where the tenant is eligible for Centrelink rent assistance and has a threshold level of private income.

Their model for financing affordable housing also anticipated a need for government to contribute to the cost of capital, through a subsidy or a loan. They stressed that this path could be viable for rental housing targeted to moderate-income households, rather than the very-low income households to whom most public and community housing is targeted. This could be, for example, that third of Centrelink rent assistance recipients who had a private income of more than $50 a week (December 2000).[74]

The National Community Housing Forum considered the matter in 2 discussion papers, in 2002 and 2003.[75] The 2002 paper said: 'The principle that should be employed is: rental income should ensure viability, while rental subsidy should ensure affordability.'[76] It suggested there be more discussion about: 'A more flexible approach to affordability, allowing tenants greater choice of benefits and making affordable housing available to wider income groups.' And it noted that '… any move to new rent structures must ensure a balance between viability, participation incentives and affordability.'

The Forum's discussion about rent-setting in community housing was predicated on community housing tenants' eligibility to receive a rent subsidy from Centrelink (if eligible for Commonwealth social security payments). But it noted that the current rent subsidy (the Centrelink rent assistance payment) is capped at a level that does not provide affordability in all regional housing markets and is not available to all low-income people (because it is linked to social security status).

An ability to apply different rent-setting policies to different customer segments for different affordable housing products will be an important means for the sub-sector to ensure viability and growth.

RECOMMENDATION 5: THAT THE COMMITTEE SUPPORT DEVELOPMENT AND IMPLEMENTATION OF RENT-SETTING IN COMMUNITY HOUSING TARGETED TO LOW-MODERATE INCOME HOUSEHOLDS THAT IS BASED ON A PROPORTION OF COST-BASED OR MARKET-DERIVED RENTS, WITHOUT ABANDONING AFFORDABILITY OUTCOMES.

4.5 A new direction for housing cooperatives

Rental housing cooperatives form a small and discrete part of the community housing sub-sector, providing an efficient (and value-for-money) form of provision because it captures the unpaid labour of the cooperaters in housing management.

A new direction could assist the cooperative movement in adding to the growth of the social housing sector. That is a common equity model, where the cooperative has title over the property. This model does not exist in New South Wales, but a Common Equity Rental Cooperative Program has operated successfully in Victoria for some 20 years[77], and Tasmania's small cooperative program is moving to a full-equity model.[78] This model is comparatively strong in Canada. The Office of Community Housing operational guidelines foreshadow the emergence and implementation of this model in New South Wales[79], but there has been no government action on this. This direction would involve transfer of title of public housing properties to a tenant cooperative, in the same way we suggested should be done for some community housing associations (page 30): it would enable the cooperative to use its asset as a basis for borrowing private finance for expansion.

RECOMMENDATION 6: THAT THE COMMITTEE ENCOURAGE THE GOVERNMENT TO INTRODUCE NEW MODELS OF COOPERATIVE HOUSING FOR LOW-INCOME HOUSEHOLDS THAT WILL ENABLE HOUSING COOPERATIVES TO ATTRACT PRIVATE SOURCES OF FINANCE.

List of recommendations

Recommendation 1: That the Committee support the balance of the $190 million promised in the 2005-06 budget as enhancement funding for working capital to the Department of Housing over 4 years being allocated to the department notwithstanding other calls on state government revenue in the event of a budget deficit in 2006-07.

Recommendation 2: That the Committee support the Government purchasing the difference between market rents and net rents in public housing as a community service obligation, on an ongoing basis.

Recommendation 3: That the Committee recommend the Government negotiate with the Commonwealth Government for a reconfiguration of Centrelink rent assistance that would enable eligibility to public housing tenants and capture of the payment as a revenue source for all social housing providers.

Recommendation 4: That the Committee support transfer of title of Land and Housing Corporation owned properties to community housing associations to maximise the possibilities for growth of the social housing sector.

Recommendation 5: That the Committee support development and implementation of rent-setting in community housing targeted to low-moderate income households that is based on a proportion of cost-based or market-derived rents, without abandoning affordability outcomes.

Recommendation 6: That the Committee encourage the Government to introduce new models of cooperative housing for low-income households that will enable housing cooperatives to attract private sources of finance.

Endnotes

[1] Terry Burke, 'Social housing over the horizon: creating a contemporary social housing system', paper to National Housing Conference, Perth, 27-28 October 2005.
[2] Paul Flatau and others, *Indigenous access to mainstream public and community housing*, final report, Australian Housing and Urban Research Institute, Melbourne, July 2005.
[3] 'Over-representation' of Indigenous Australians as clients of SAAP is a reflection of the same phenomenon as the higher allocations in public and community housing: Indigenous Australians are at greater risk of homelessness. Even after allocation of a social housing dwelling, the risk of homelessness might still be present, because of a risk of tenancies not being sustainable.
[4] Terry Burke and Liss Ralston, *Analysis of expenditure patterns and levels of household indebtedness of public and private rental households, 1975 to 1999*, final report, Australian Housing and Urban Research Institute, Melbourne, April 2003, p.1.
[5] NSW Department of Housing, '2005/06 New South Wales budget commentary on the Housing Policy and Assistance Program', May 2005, p.27.
[6] Burke argues that private ownership of stock that is part of the social housing system is 'not important' but, rather, the debate should be about effective housing outcomes; he puts forward a proposal for bringing more privately-owned housing stock into the social housing system ('Social housing over the horizon: creating a contemporary social housing system', p.11).
[7] Financial data from annual reports up to and including 2004-05; data are in nominal dollars, not constant dollars. Annual report financial statements bundle the diverse roles of the Department of Housing, and it is not easy to unpack those items (which would nevertheless be the vast majority) that relate to social housing or to public housing.
[8] The Department has a broad, cross-tenure, brief under the Housing Act 2001 that goes beyond delivery of public housing. The Act establishes a Land and Housing Corporation formally separate from the Department, with the Corporation and the Department required to work in a complementary manner as far as possible to achieve a uniform administration of the Act (s.6(8)). There was a period in the 1990s, following the 'Mant report' (November 1992), when some policy and regulatory functions were separated and located in another agency (the then Department of Urban Affairs and Planning) but this reform was undone early this century. The Aboriginal Housing Office, however, remains as a stand-alone entity. The rationale for the Mant model still holds, and there is a case for separating the public housing delivery business, as the public trading enterprise, from the Department, as a general government agency, with the Department retaining policy, planning, service purchasing, standards-setting, and other regulatory roles (akin to the Housing Corporation in England and Communities Scotland in Scotland). This submission will generally refer to 'the Department' when referring to the Department/Corporation's broad role and 'the Corporation' when referring to the public housing business.
[9] Where a single year date is indicated, it means the financial year ending on the date, e.g. 1996 is 1995-1996.
[10] This item comprises repairs and maintenance, council and water rates, lease expenses, and residential tenancy and other expenses.
[11] The 30% applies to so-called moderate income tenants and has been in effect from 5 December 2005.
[12] Australian Institute of Health and Welfare, *Commonwealth–State Housing Agreement national data reports 2004-05: public rental housing*, Canberra, AIHW cat. no. HOU 131, December 2005, p.18.
[13] There were 122,570 rebated public housing households in New South Wales as at 30 June 2005.
[14] A community service obligation is a service required by government of a public trading enterprise that the enterprise might not do on ordinary commercial grounds and the cost of which is subsidized by the government (on a purchaser–provider model).
[15] In New Zealand, with albeit a different governmental structure to Australia where the one government has responsibility for both income support and welfare housing, the government subsidizes the New Zealand Housing Corporation for the difference between income-related rents charged to tenants and the market rent; the government abolished payment of an accommodation

supplement to public housing tenants in 2001 (Jon Hall and Mike Berry, *Operating deficits and public housing: policy options for reversing the trend*, final report, Australian Housing and Urban Research Institute, Melbourne, March 2004, p.11).

[16] Jon Hall and Mike Berry, *Operating deficits and public housing: policy options for reversing the trend*, final report, Australian Housing and Urban Research Institute, Melbourne, March 2004, p.35.

[17] Percentage increase (decrease) over previous year's allocation, in nominal terms.

[18] 'Other state funding' as opposed to CSHA 'state matching funding'.

[19] The other state funding went to the Department's working capital ($25 million) and maintenance ($11 million), and an advance in funding to deal with a maintenance backlog ($105 million).

[20] Data of this type are not available from the Department of Housing's annual reports before 1999-2000.

[21] Jon Hall and Mike Berry, *Operating deficits and public housing: policy options for reversing the trend*, final report, Australian Housing and Urban Research Institute, Melbourne, March 2004, p.112.

[22] Housing stress is a measure of unaffordability: it refers to a situation where the people whose income is in the bottom 40% of all income levels pay more than 30% of their income on recurrent housing costs.

[23] There are also issues on the expenditure side, such as cost of salaries and administration, and depreciation (Jon Hall and Mike Berry, *Operating deficits and public housing: policy options for reversing the trend*, final report, Australian Housing and Urban Research Institute, Melbourne, March 2004, pp.111-116).

[24] Jon Hall and Mike Berry, *Operating deficits and public housing: policy options for reversing the trend*, final report, Australian Housing and Urban Research Institute, Melbourne, March 2004, p.38.

[25] They were so eligible from 1958 (when the payment was introduced) until the 1980s, when a policy change made them ineligible. See Kath Hulse, 'Rent assistance: time for a policy review?', Institute for Social Research working paper, Swinburne University of Technology, Melbourne, February 2001.

[26] Terry Burke, 'Social housing over the horizon: creating a contemporary social housing system', paper to National Housing Conference, Perth, 27-28 October 2005.

[27] Burke, 'Social housing over the horizon', p.11.

[28] NSW Department of Housing, '2005/06 New South Wales budget commentary on the Housing Policy and Assistance Program', May 2005, p.2.

[29] The information in Table 5 and Figure 6 comes from the Department of Housing's annual reports for 2002-03, 2003-04, and 2004-05: comparable data was not provided in the 2001-02 report.

[30] Premier and Treasurer of New South Wales, '2005-06 half-yearly budget review', n.d. (21 December 2005), p.1.

[31] Hazel Blunden with Craig Johnston, 'Public housing and nonhousing outcomes', Shelter Brief 25, Shelter NSW, Sydney, 2005.

[32] The Low Income Housing Tax Credit is the US federal government's principal subsidy mechanism for supporting the production of new and rehabilitated rental housing for low-income households. It authorizes 58 state and local agencies to issue federal tax credits for the acquisition, rehabilitation, or construction of affordable rental housing (subject to an annual per capita limit). The credits can be used by property owners to reduce federal income taxes and generally are taken by outside investers who contributed initial development funds for a project. To qualify for credits a project must have a specific proportion of its units set aside for lower income households, the rents on these units are limited to a maximum of 30% of qualifying income, and the units must be rented to low-income households for 30 years. The amount of the credit that can be provided for a project is a function of development cost (excluding land), the proportion of units that is set aside, and the credit rate (which varies based on development method and whether other federal subsidies are used). Credits are provided for a period of 10 years. The per-capita allocation of credit authority of the states was increased from an original $1.25 per capita to $1.50 in 2001, and $1.75 in 2002, and indexed to inflation thereafter. See Jean L Cummings and Denise DiPasquale, 'The low-income housing tax credit: an analysis of the first ten years', *Housing Policy Debate*, vol.10, no.2, 1999, pp.251-307, and Kirk McClure, 'The low-income housing tax credit as an aid to housing finance: how well has it worked?, *Housing Policy Debate*, vol.11, no.1, 2000, pp.91-114.

[33] Shelter NSW, 'Land tax exemption for land used and occupied primarily for low-cost accommodation', letter to Andrew Refshauge MP (Deputy Premier and Treasurer), 9 June 2005.

[34] Council of Social Service of New South Wales, *Closing the gap: social and economic priorities for a fair and sustainable community – 2006-07 state budget*, The Council, Surry Hills, 2005, p.26.
[35] The Loan Council meeting of 28-29 June 1990 agreed that the states and territories would progressively take over responsibility for their own debt from the Commonwealth government.
[36] The Premier's 2005-06 half-yearly budget review statement (December 2005) predicted that general government net financial liabilities would be 8.8% of gross state product at 30 June 2006, 8.7% at 30 June 2007, 8.6% at 30 June 2008, and 8.3% at 30 June 2009. It predicted underlying general government net debt as a higher (than 30 June 2005) proportion of gross state product in 2007, 2008 and 2009.
[37] John Pierce and Ian Little, *Private provision of public infrastructure and services*, Office of Financial Management Research and Information Paper, NSW Treasury, April 2002, p.5.
[38] Pierce and Little, p.4.
[39] Cited in Premier's Department, *State infrastructure strategic plan 2002*, Infrastructure Coordination Unit, Premier's Department, Sydney, December 2002, p.115.
[40] As it now stands, State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes) covers the Greater Metropolitan Area (not the whole state) and identifies only two local government areas as having a need for affordable housing (namely, City of Sydney and Willoughby City). The state government has refused to agree to an application by Parramatta City Council for that council's affordable housing scheme to be validated by the SEPP.
[41] Elizabeth Taylor, Ann Harding, Rachel Lloyd and Marcus Blake, 'Housing unaffordability at the statistical local area level: new estimates using spatial microsimulation', paper to the 2004 ANZRSAI conference, Wollongong, National Centre for Social and Economic Modelling, University of Canberra, Canberra, September 2004, p.21. They define housing unaffordability as the incidence of low to moderate households are not affordable and who are in 'housing stress', on the basis that the households pay 30% or more of their income on recurrent housing costs.
[42] Taylor, Harding, Lloyd and Blake, p.28.
[43] Andrew Larkin, 'Opportunity knocks for affordable housing', presentation to Affordable Housing Network workshop, Parramatta, 9 December 2005.
[44] Judith Yates, Maryann Wulff and Margaret Reynolds, *Changes in the supply of and need for low rent dwellings in the private rental market*, Australasian Housing and Urban Research Institute, Melbourne, June 2004, p.48. The shortage of 36,000 affordable rental dwellings for low–moderate income households in Sydney compared with 9,000 dwellings in Melbourne and 4,000 dwellings in Brisbane.
[45] The figures in this submission for dwelling numbers drawn from Australian Institute of Healthy and Welfare data reports for the CSHA program refer to *tenantable* dwellings.
[46] Terry Burke, Carolyne Neske and Liss Ralston, 'Which households eligible for public housing do not apply and why?', *AHURI Research and Policy Bulletin*, no.62, August 2005, p.1.
[47] Department of Housing, 'Policy ALL0030A: eligibility for public housing', 4 August 2004, last amended 10 June 2005; this policy was still on the Department's website with the implication it is current policy, as at 18 February 2006.
[48] Australian Institute of Health and Welfare, *Commonwealth–State Housing Agreement national data reports 2004-05: Public rental housing*, Canberra, AIHW cat. No. HOU 131, December 2005, p.28.
[49] Australian Institute of Health and Welfare, *Commonwealth–State Housing Agreement national data reports 2004-05: Public rental housing*, Canberra, AIHW cat. No. HOU 131, December 2005, p.32.
[50] Australian Institute of Health and Welfare, *Commonwealth–State Housing Agreement national data reports 2004-05: Public rental housing*, Canberra, AIHW cat. No. HOU 131, December 2005, p.27.
[51] Australian Institute of Health and Welfare, *Commonwealth–State Housing Agreement national data reports 2004-05: Public rental housing*, Canberra, AIHW cat. No. HOU 131, December 2005, p.29.
[52] The Department of Housing is mischievous in suggesting that the long-term trend of declining numbers of applicants on the waiting list is 'mainly due to improved management of the housing register, including annual surveys of applicants to determine ongoing eligibility and need' (NSW

Department of Housing, *Annual report 2004-2005*, p.21). This claim implies that the waiting list is immune from the socio-economic circumstances in which it exists.

[53] This comment applies to other government agencies, e.g. to the Department of Disability, Aging and Home Care which owns and manages properties housing people with disabilities.

[54] Ben Keneally, 'Reshaping public housing in NSW', paper to National Housing Conference, Perth, 26-28 October 2005, p.7.

[55] Australian Institute of Health and Welfare, *Commonwealth–State Housing Agreement national data reports 2004-05: Public rental housing*, Canberra, AIHW cat. No. HOU 131, December 2005, p.31.

[56] Department of Housing, 'Policy ALL0100A: Offering a property to a client', last amended 15 June 2005, online at <www.housing.nsw.gov.au>, viewed 20 February 2006.

[57] Kath Hulse and Terry Burke, *The changing roles of allocations system in social housing*, final report, Australian Housing and Urban Research Institute, Melbourne, March 2005, p.53

[58] There were 208 community housing providers in New South Wales at 30 June 2005. Of those 43 were in the housing association sub-sector and 40 in the rental housing cooperative sector. (Australian Institute of Health and Welfare, 'Commonwealth–State Housing Agreement national data reports 2004-05: CSHA community housing', AIHW cat. no. HOU 141, Canberra, January 2006, p.11)

[59] The Office of Community Housing (OCH) program guidelines for the subsidized rental cooperative housing sub-sector allow up to 35% of new tenancies in an OCH-subsidized cooperative to be allocated to applicants whose incomes are higher than the eligibility threshold for public housing. Few of the 40 rental housing cooperatives in this subprogram use this right: nearly all of them allocate new tenancies to applicants eligible for public housing.

[60] The local government-owned public housing which is managed by community housing associations is formally free of the OCH strictures, but the councils/landlords might require the community housing association, as their agent, to adhere to them. One key difference is that councils might apply a 'local factor' such as an historical association with the area as an extra eligibility condition for a tenancy allocation. There are only two community housing associations in Sydney that manage local government affordable housing: Community Housing Lower North Shore (for Willoughby and North Sydney councils) and South-West Inner Sydney Housing (for Waverley Council).

[61] Terry Burke, 'Social housing over the horizon: creating a contemporary social housing system', paper to National Housing Conference, Perth, 27-28 October 2005, p.12.

[62] Shelter NSW, 'NSW Legislative Council Inquiry into Community Housing in NSW: Shelter NSW submission', March 2002, p.5.

[63] Burke argues that community housing providers do not need to have *title* of the properties to fulfil this role ('Social housing over the horizon: creating a contemporary social housing system', paper to National Housing Conference, Perth, 27-28 October 2005, p.13).

[64] Department of Housing, 'Outcomes of the Stock Transfer Roundtable 4 August 2005', communiqué, n.d. (September 2005).

[65] Judith Yates, Maryann Wulff and Margaret Reynolds, *Changes in the supply of and need for low rent dwellings in the private rental market*, final report, Australian Housing and Urban Research Institute, Melbourne, June 2004, p.40.

[66] Judith Yates, Maryann Wulff and Margaret Reynolds, *Changes in the supply of and need for low rent dwellings in the private rental market*, final report, Australian Housing and Urban Research Institute, Melbourne, June 2004, p.41.

[67] Brian Elton & Associates, *Private finance and community housing: recent initiatives*, National Community Housing Forum, 2000.

[68] See NSW Parliament, *Report on community housing* (J Burnswoods, chair), report 31, Legislative Council Standing Committee on Social Issues, [Sydney] November 2003, p.133-141.

[69] We noted the exception in the case of rental housing cooperatives in endnote 59.

[70] These figures are subject to annual review.

[71] Some so-called moderate income tenants are charged up to 30%: see Department of Housing, 'Policy SUB0044A: Rental subsidies (new)', amended 10 January 2006, online at <www.housing.nsw.gov.au>, viewed 19 February 2006.

[72] Swinburne Institute for Social Research, 'Rent setting policies and practices: background paper', Australasian Housing Institute, October 2003.
[73] Sean McNelis, David Hayward and Hal Bisset, *A private retail investment vehicle for the community housing sector*, Australian Housing and Urban Research Institute, Melbourne, July 2002.
[74] Sean McNelis, David Hayward and Hal Bisset, *A private retail investment vehicle for the community housing sector*, Australian Housing and Urban Research Institute, Melbourne, July 2002.
[75] National Community Housing Forum, 'Rent structures: a discussion paper', Ultimo, April 2002; National Community Housing Forum, 'The CSHA, workforce disincentives, rents and private finance: Policy Advisory Committee (PAC) discussion paper', Ultimo, March 2003.
[76] National Community Housing Forum, 'Rent structures: a discussion paper', Ultimo, April 2002.
[77] See <www.cehl.com.au>.
[78] Paul van Reyk, 'Equity project: first project report', Paul van Reyk Consultancy Services, 3 March 2004.
[79] Office of Community Housing, 'NSW Co-operative Housing Program operational guidelines', November 1998.