

**OPTIONS TO IMPROVE ACCESS TO EXISTING AND ALTERNATE
ACCOMMODATION TO ADDRESS THE SOCIAL HOUSING SHORTAGE**

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COMMITTEE ON COMMUNITY SERVICES INQUIRY - OPTIONS TO IMPROVE ACCESS TO EXISTING AND ALTERNATE ACCOMMODATION TO ADDRESS THE SOCIAL HOUSING SHORTAGE

NSW Government Submission

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"It is lovely, it is so relaxing to live here, I am so lucky, I love it. I am so grateful to have this place to myself, I hope to stay here for a long time."

NSW Land and Housing Corporation (LAHC) tenant living in a recent new build in Lane Cove

"This is an amazing opportunity to engage with local regional contractors and work with them throughout the procurement process to ensure that they receive the opportunity to realise the employment and economic benefits of this program."

Wendy Middleton, Chief Executive Officer of Argyle Housing on the \$3.8 million stimulus maintenance money received under LAHC's \$40 million program announced in FY20/21 NSW budget

"We are excited to be working with the NSW Land and Housing Corporation and Traders in Purple on this excellent project, which will deliver more much-needed social and affordable housing for Western Sydney."

Lyall Gorman, Chief Executive Officer of Evolve Housing on LAHC's Villawood renewal project

"We've designed this [housing] for 16 residents in 13 dwellings. And [for] those residents, they get the ability to have great amenity, great architecture. And it's important because this is the future for housing."

Craig Shelsher, Director at Custance Architects

"[This video] brought back memories. The old houses look like what I grew up in. My mother and I on a massive block in the Western suburbs of Sydney. To see 'three ageing dwellings replaced with 13 new ones' is wonderful. Given the price growth of housing and widening social gap, this is exactly what we need. Well done."

Kent Andrew Lardner, Director at Suburb Trends.



1. Executive summary

Providing support to house vulnerable people reduces homelessness, improves outcomes and delivers cost savings across government. Safe, secure, stable and quality housing in locations with access to services, amenities and transport can improve physical and mental health, child development and education outcomes, and labour force participation.

Housing affordability is a significant issue across NSW with low vacancy rates in the low end of the private rental market. Housing pressures are increasing the numbers of people at risk of homelessness and in need of housing assistance, intensifying disadvantage. Over the past 24 months there has been a 29% surge in priority applicant households on the social housing register. There are particular issues of affordability in regional NSW, exacerbated by the COVID-19 related move of people out of Sydney into regions.

The NSW Government has the largest social housing infrastructure portfolio in Australia with more than 130,000 public and Aboriginal social homes (including around 1,500 used for crisis refuges and transitional housing). At \$50 billion, social housing infrastructure represents 18% of the State's asset value, equal second with Roads, and after Transport at 31%. The portfolio's value presents opportunities and challenges.

In May 2021, the Government released *Housing 2041*, the first housing strategy for the State. It provides the framework and near-term actions to deliver better housing and considers all housing types and tenures across the housing spectrum, from crisis housing to social and affordable housing, to private rental and specialist housing, to home ownership. These depend on collaboration across local government, mainstream and Aboriginal community housing providers (CHPs) and the property development and housing construction industries. *Housing 2041* includes objectives to rejuvenate the social housing portfolio, support community housing sector growth, and increase affordable housing supply.

The NSW Government policy *Future Directions for Social Housing in NSW (2016-2025)* sets out a focus on supporting people's independence so social housing helps break the cycle of disadvantage. It aims to deliver more homes, better places and a better experience for social housing tenants including links to supports for those who are frail, aged, have a disability or a serious mental illness. Further, the *NSW Homelessness Strategy* has a key aim to focus on improving exit planning from government services (including out of home care, social housing, health services and justice facilities) so all agencies share responsibility for preventing homelessness and increasing access to supports, including housing and services.

This paper outlines the Government's preliminary response to the Committee's terms of reference. The key opportunities and challenges that relate to each term of reference are summarised in the table below:

Terms of reference	Opportunities	Challenges
a) options to better support 'meanwhile use', such as temporary supportive accommodation (TSA), and the current major planning barriers to 'meanwhile use'	<ul style="list-style-type: none"> Piloting TSA options to inform future models Potential for changes in planning and consent provisions 	<ul style="list-style-type: none"> Cost considerations associated with preparing a site for TSA TSA needs to be linked to a long-term housing solution
b) options to improve access to existing accommodation to provide community housing	<ul style="list-style-type: none"> Culturally appropriate housing solutions for Aboriginal people and families Headleasing to supplement social housing stock Utilising private rental assistance to support long-term independence for people with immediate need of housing assistance 	<ul style="list-style-type: none"> Lack of affordable and accessible private stock for renting and headleasing Discrimination against particular cohorts impedes private rental market access Need for early intervention, prevention and wrap-around

		supports for vulnerable people and families
c) options for crisis, keyworker and other short-term accommodation models	<ul style="list-style-type: none"> • New supply of crisis accommodation with better design supports independence • Strengthen partnerships between government and local providers • Land in rural and remote locations is available and comparatively cheap • Improvements in data will proactively identify and address problems • Innovative models for vulnerable groups are being trialled 	<ul style="list-style-type: none"> • Crisis accommodation is dated and capacity is stretched • Additional supply requires associated support services • Long term housing is needed to support transition • Key worker housing is dated and is inflexible
d) barriers to additional supply across NSW, including for smaller non-CHP housing providers	<ul style="list-style-type: none"> • Strengthening and expanding partnership opportunities and co-contribution models • New models that leverage equity and finance • Local council housing strategies • Negotiate to redirect old Commonwealth loan repayments • Strategic tenant relocations • Continued Planning changes • Shared accommodation and co-living arrangement reforms 	<ul style="list-style-type: none"> • Significant resourcing constraints • Access to affordable land or other capital contributions • Inflexibility of existing portfolios • Tenant considerations – under-occupancy and relocations • Planning regulations • Community objections to more crisis, transitional and social homes
e) support for and accountability of registered community housing providers (CHPs)	<ul style="list-style-type: none"> • Maintain and evolve the National Regulatory System for Community Housing • Promote partnerships between registered CHPs and NGOs in adjacent service sectors 	<ul style="list-style-type: none"> • Although NGOs may have access to land, philanthropy funding or other resources which they would like to apply to housing outcomes, NSW Government housing support is most often targeted at registered CHPs.

2. Introduction

The NSW Government acknowledges the Traditional Owners and Custodians of the land on which we live and work and pays respect to Elders past, present and emerging.

The Inquiry is tasked with investigating and reporting on options to improve access to existing and alternate accommodation to address the social housing shortage in NSW. It considers:

- a) options to better support 'meanwhile use' (temporary supportive accommodation), and the current major planning barriers to 'meanwhile use'
- b) options to improve access to existing accommodation to provide community housing
- c) options for crisis, keyworker and other short-term accommodation models
- d) barriers to additional supply across NSW, including for smaller non-CHP housing providers
- e) support for and accountability of registered community housing providers.

This response includes examples we know can work and provides information about the kinds of changes we would like to see and do more of together with our partners, communities and councils. Government representatives can provide clarification if needed and would like to invite the Committee to visit sites demonstrating the examples included in this submission.

3. Context

3.1 People

The NSW Government is focused on ensuring social housing support is targeted to those who need it most.

NSW Social Housing Register

Demand for social housing in NSW refers to the number of households who have applied and been approved to be listed on the NSW Housing Register. 51,395 households are currently listed for social housing assistance including 7,955 Aboriginal households and 5,308 priority applicant households. Priority applicants have been assessed as having an urgent need for housing assistance. For example, they are homeless or at risk of homelessness, living in unsuitable housing, have risk factors such as domestic and family violence (DFV), child abuse or neglect, or they experience persistent medical problems or disability. Priority applicants must also demonstrate they are unable to resolve their housing needs themselves in the private rental market.

Households in urgent need are typically the most vulnerable in the community, and often require the greatest long-term government assistance through their use of crisis accommodation services, as well as the health, justice and child protection systems. The 5,308 priority applicant households on the register represent 10,038 individuals. Of those households: 941 were 'households at risk' (including DFV and neglect); 1,450 were homeless; 2,749 had a medical/disability need; 168 whose need is so urgent that the Department of Communities and Justice (DCJ) is subsidising their rent in the private market until a social housing property becomes available. As at 30 June 2020, there were 33,202 children (15 years and under) in 17,192 applicant households awaiting housing assistance. 12,498 were single parent households. There are 5,665 Aboriginal children in 3,208 households awaiting assistance.

Priority housing register case studies

Priority medical / disability	Priority DFV	Priority homeless
<p>Kim has five children. Kim's partner was not capable of providing safe and consistent care for their children, and his relationship with Kim involved DFV.</p> <p>Kim's daughter was born with a life-threatening condition requiring nutrition to be delivered through a central line inserted in her chest. This line makes her vulnerable to infection, can damage her vascular system and she spent the first three years of her life in hospital.</p> <p>The two-bedroom apartment Kim was living in was not suitable for her daughter. DCJ worked hard to find an appropriate property and undertake necessary modifications so her daughter could live at home.</p>	<p>Years of living with DFV left Ruby with disability.</p> <p>When Ruby was offered housing in a retirement and independent living village at age 58, she did not own her own bed or know that she was eligible for support under the National Disability Insurance Scheme (NDIS).</p> <p>Ruby had also discovered, in her 50s, that she was Aboriginal and her heritage had been kept a secret from her for generations.</p> <p>Ruby now has a safe and secure home and receives tailored support from the NDIS.</p>	<p>Kane is a 30-year-old Aboriginal man who is homeless.</p> <p>Kane lives out of his car in a friend's garage for a few days at a time where he keeps some of his things. He's able to use friends' homes for showers and hot meals each week but cannot live with any of them.</p> <p>Kane received some support from his grandmother, but conflict with her partner made it impossible for him to live with her.</p> <p>Kane believes he is at risk of violence or significant harm. He suffers from mental illness, has mobility challenges and has chronic pain.</p> <p>Kane needs spinal surgery but has postponed it because he does not have suitable accommodation.</p>

Social housing tenants

There were 137,783 social housing tenancies in NSW on 30 June 2020. Of these, 17,327 were Aboriginal tenancies. 97,468 (of the 137,783) social housing tenancies were DCJ managed (public housing and Aboriginal

Housing Office) and 40,315 were managed by CHPs.¹ (Note, the number of tenancies is not the same as the number of homes or 'dwellings').

On 30 June 2020, publicly managed social housing tenancies were sheltering 34,553 children (15 years and under) in 17,837 households. Analysis undertaken by DCJ in 2020, indicates that over 70% of social housing tenants are unlikely to ever be able to improve their economic status by working. Of the 51,395 households on the general and priority housing registers at 30 June 2020, 50.25% were assessed as needing social housing as a 'safety net' and are very unlikely ever to be able to move on to housing independence. For tenants and applicants, this is because of their age and/or physical or psycho-social disability status. For example, the 97,468 publicly managed tenancies sustainably house 81,669 individuals who are supported as part of the 'safety net'. These include people likely to require social housing for an extended period (eg. people receiving age, carer, disability or veterans support payments).

3.2 Governance

The NSW Government has the largest social housing infrastructure portfolio in Australia, owned by the NSW Land and Housing Corporation (LAHC) and the Aboriginal Housing Office (AHO). Around 33% of NSW social homes are owned and/or managed by around 160 registered CHPs and Aboriginal Community Housing Providers (ACHPs).

Social housing provision in NSW is generally regulated under the *Housing Act 2001*. Aboriginal housing provision in NSW is regulated under the *Aboriginal Housing Act 1998*, which established the AHO as a statutory body to ensure that Aboriginal and Torres Strait Islander people have access to affordable and quality housing. The AHO is governed by an all-Aboriginal Board, which provides advice to the Minister on Aboriginal housing issues in NSW.

Community housing is further regulated under the National Regulatory System for Community Housing (NRSCH). The NRSCH was established in agreement by the Commonwealth, States and Territories in 2012, to ensure a well-governed, well-managed and viable community housing sector, and reduced regulatory burden for multi-jurisdictional CHPs. The NRSCH commenced in 2014.

The NSW Local Scheme commenced in 2017. It closely mirrors the NRSCH but does not include the 'wind-up' condition of registration, allowing a focus on registering NSW Local Aboriginal Land Councils (LALCs) who would not register if their land could be claimed by the State. The primary purposes of the regulatory framework are:

- Protecting vulnerable tenants and improving tenant outcomes providing assurance to government and tenants that CHPs can manage their portfolios effectively and sustainably
- Protecting government assets and funding to ensure regulated CHPs can diligently manage government funding and assets
- Facilitating private sector investment providing investors with the confidence to invest into CHPs, while also providing assurance of CHP creditworthiness.

A small but growing cohort of new entrants to community housing includes non-traditional providers such as builders and developers who are prepared to build and develop community housing properties, and have them subject to affordable housing guidelines, which set rents to affordable limits. These providers do not compete with traditional CHPs and the planning system should give every encouragement to this very small but growing sector. This sub sector of CHPs is for profit and is not eligible for government assistance through the three housing agencies - DCJ, the AHO and LAHC. These agencies cannot generally mortgage or leverage their assets,

¹ Source: Social Housing Assistance Commissioning Dataset 2019/20. Note: The number of social housing residential dwellings in the matrix on p8 (under 3.6 Social Housing Infrastructure Portfolio) is higher than the number of social housing tenancies here because a number of dwellings are vacant at any point in time e.g. due to tenant turnover and re-letting, maintenance, disposal and redevelopment. Additionally, the Residential Dwellings Dashboard data presented in the matrix includes dwellings managed by Aboriginal CHPs and for mainstream CHPs includes dwellings used for crisis accommodation, which are not counted as 'social housing tenancies'.

while community housing providers can; allowing them the ability to grow their assets safely and sustainably with lending ratios closely monitored by the Registrar of Community Housing, who has oversight over the sector.

Government investment in the sector is protected by statutory provisions which protect community housing assets - being those assets identified as having been obtained or developed by government assistance. The community housing sector builds and develops assets outside of government assistance through internally funded projects. Most CHPs are registered as charities and have corresponding tax benefits which they can channel into ongoing development and growth.

3.3 NSW Government objectives for the social housing system

The Stronger Communities Cluster is responsible for delivering the State Outcome *People have a safe and affordable place to live* measured by:

- Reducing street homelessness across NSW by 50% by 2025 (also a Premier's Priority)
- Proportion of people successfully transitioning out of social housing
- Proportion of people diverted from social housing who do not need assistance 12 months later.

The Planning, Industry and Environment Cluster is responsible for delivering the State Outcome *Maximum community benefit from government land and property*, measured by:

- Number of additional/upgraded homes that have commenced construction in priority communities
- Number of reviews completed on NSW Government land and property in strategic precincts and/or portfolios.

The NSW Government is committed to meeting the objectives set out in the New *National Agreement on Closing the Gap (2020)*. It commits to:

- Outcome: Aboriginal and Torres Strait Islander people can secure appropriate, affordable housing that is aligned with their priorities and need
- Target: By 2031, to increase the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing to 88%.

Four NSW policy instruments directly relate to social housing outcomes: *Housing 2041: NSW Housing Strategy and the 2021-22 Action Plan*, *Future Directions for Social Housing*; *Strong Family, Strong Communities* and the *NSW Homelessness Strategy*.

Housing 2041: NSW Housing Strategy and the 2021-22 Action Plan

In May 2021, the NSW Government released *Housing 2041*, the first housing strategy for the State. It embodies goals and ambitions to deliver better housing and considers all housing types and tenures, from crisis to social and affordable housing, to private rental and specialist housing, to home ownership. It sets a 20-year vision to ensure "NSW will have housing that supports security, comfort, independence, and choice for all people at all stages of their lives." This unified vision came from within and beyond the Government and was shaped through consultation with housing experts from across the sector. It has four pillars: supply, diversity, affordability, and resilience.

Housing 2041 acknowledges some households face housing access, stability and safety challenges. It provides a framework to increase supports and grow the community and Aboriginal housing sectors. The 2021-22 Action Plan includes:

- continuing investment in renewing and growing social homes and strengthening community housing
- providing housing assistance for those in crisis
- partnering with industry and CHPs to test new housing typologies on government land
- improving government-led residential development outcomes and processes to drive the supply of more affordable diverse and resilient housing
- supporting the supply of suitable housing for essential workers in 'hard to fill' locations
- supporting new housing typologies to meet the needs of individuals and communities by partnering with local governments, the community housing sector and developers to trial ways of facilitating TSA options for people experiencing homelessness.

Future Directions for Social Housing in NSW (2016 – 2025)

Future Directions has a focus on supporting people's independence so social housing helps break the cycle of disadvantage. It aims to deliver more homes, better places and a better experience for social housing tenants, including links to supports for those who are frail aged, have a disability or a serious mental illness.

It has increased social housing and CHP capacity to develop and manage more social homes. The Social Housing Management Transfer (SHMT) program has transferred 14,000 homes and tenancies to CHPs, the Social and Affordable Housing Fund (SAHF) has to date delivered more than 2,000 of 3,400 homes, and Communities Plus is delivering small scale social housing renewal and large scale mixed tenure redevelopment of social housing estates. The Millers Point program has delivered more than 1,560 new homes of 1,875 planned using the proceeds from sales of 419 properties. Twenty-year leases for LAHC homes are facilitating greater access to finance by CHPs.

Strong Family, Strong Communities (SFSC) (2018-2028)

Strong Family, Strong Communities is a 10-year strategy to improve the wellbeing of Aboriginal families and communities through housing. It aims to ensure all Aboriginal people in NSW have equal access to, and choice in, affordable housing. It focuses on the cultural appropriateness of service delivery, strengthening the capacity and sustainability of Aboriginal CHPs, and collaboration between government and Aboriginal organisations to improve early intervention, education and employment supports.

Also, DCJ's *Aboriginal Outcomes Strategy 2017-2021* commits to increasing by 20% by 2021, the number of Aboriginal households successfully transitioning out of social housing (including public, community and AHO housing).

NSW Homelessness Strategy and Premier's Priority to reduce street homelessness

A key action from the *Homelessness Strategy* is improving exit planning from government services (including out of home care, social housing, health services and justice facilities), so all agencies share responsibility for preventing homelessness and increasing access to supports and services.

Through the Premier's Priority to reduce street homelessness, the NSW Government is working towards zero rough sleeping. It has signed an agreement with Institute of Global Homelessness, along with other partners, to halve the number of people sleeping rough across NSW by 2025.

3.4 Social Housing

Housing demand and supply

Many people struggle to afford rental housing. Prior to the current COVID outbreak in NSW, there had been strong economic bounce back throughout 2021 with unemployment and underemployment returned to pre-pandemic levels². However, long-term unemployment has only been only exacerbated by the pandemic. The long-term unemployed now make up 1.8% of the labour force, a level not seen since 2000³.

Housing affordability remains a significant issue in NSW with regional NSW disproportionately affected. Conservatively, over 200,000 low income households in NSW are in housing stress. This situation has worsened over the past 12 months with private market rents rising 10.2% and vacancy rates falling below 1% across regional NSW. In April 2021, regional NSW had an average vacancy rate of 0.79%. Anglicare's Rental Affordability Snapshot 2021⁴ found that for a person on JobSeeker 0% of rentals were affordable in March 2021. For a person on minimum wage, just 1.3% of rentals were affordable.

Housing affordability pressures are increasing the numbers of people who are homeless and in need of housing assistance, which is intensifying disadvantage. In 2019-20, specialist homelessness services in NSW assisted 70,372 people experiencing, or at risk of, homelessness. This was an increase of 36% compared to 2013-14

² Australian Bureau of Statistics (April 2021) Labour Force, Australia April 2021, ABS Website.

³ Read, M. (2021). Long term unemployment rate at two decade high. Australian Financial Review.

⁴ Anglicare Australia (2021) 'Rental Affordability Snapshot / April 2021. Anglicare Australia: Canberra.

(51,786). In the same year, some 260 people were turned away from homelessness services every day, usually because there was nowhere for them to stay, according to AIHW data as at 30 June 2020.

In the 12 months between end June 2019 and 2020, there was an 18% surge in priority applicant households on the social housing register with 5,308 priority social housing applicants waiting for assistance as at 30 June 2020.

Social housing as a proportion of total housing stock decreased from 5% to 4.71% between 2014 and 2020 in NSW, and about 3.5% of the NSW population lives in social housing, dropping from 4.2% in 2006-07.

Regional NSW

There are particular affordability issues in regional NSW. The COVID-19 related move of people out of Sydney into regions has made access to affordable housing in regional areas more difficult, particularly for those with lower incomes. House and rental prices have increased in the past 12 months, with regional rental growth (18.2%) outpacing Sydney (11.2%). While businesses and individuals are encouraged by the Government to relocate to the regions, lack of housing is a barrier in achieving the State's regional recovery goals. Insufficient housing for those on lower incomes will be further exacerbated by the phasing out of the National Rental Affordability Scheme (NRAS), with all 6,545 affordable housing subsidies (including about 1,800 regional subsidies) to be phased out of NSW by 2026.

Exceptionally low vacancy rates impact critical social housing and homelessness response programs such as *Together Home*, which rely on private headleasing of rental properties. More regional homes are needed to reduce rental pressures, to accommodate people needed for the growing number of regional jobs and so future generations of regional people and families can own their own home.

In April 2021, the Department of Regional NSW (DRNSW) established a team focusing on regional housing supply, to work locally with agencies, councils and stakeholders, on new initiatives to be rolled out over the next 12 months. The Minister for Planning and Public Spaces is also setting up a Regional Housing Taskforce.

There is growing demand for Aboriginal housing in regions generated by increases in remote working and Aboriginal people's desire to live and connect with Country.

Through LAHC, the Teacher Housing Authority of NSW (THA) and NSW Police Force Housing provide regional teacher and police worker housing.⁵

3.5 Impacts of social housing on broader Government outcomes

Providing support to house vulnerable people reduces homelessness, improves outcomes and delivers cost savings to the Government.

Children in households without safe and secure housing are faced with ongoing cyclical disadvantage that impacts on their education and justice outcomes. For young children, the relationship between housing and development outcomes is highly statistically significant. Children born into unstable housing and families are more likely to interact with the justice, health and out of home care systems.

Insecure housing can contribute to student mobility, leading to poorer educational attainment, which is in turn associated with projected lifetime earnings. A person with a Postgraduate Degree is projected to earn \$3.14m, almost 1.8 times that of a person with just Year 11 or less education (\$1.74m).

Housing is a key social determinant of health. It affects physical health, mental health and wellbeing. An Australian study found housing is a foundational element in physical and mental health, including disease prevention, and that adequate housing can be considered a preventative health intervention.

Access to suitable housing significantly affects an individual's ability to be discharged safely from hospital. NSW Health policies aim for all patients to be discharged from hospital into safe and secure arrangements. Where a patient is a NDIS participant, NSW Health works with the National Disability Insurance Agency (NDIA) to progress the discharge of participants from hospital.

⁵ Provided by LAHC's Housing Services Team, comprising the Teacher Housing Authority of New South Wales (THA) and New South Wales Police Force Housing. NSW Police Force housing covers housing for officers in remote and special remote locations across regional NSW.

In many instances, patients experience delays due to a lack of available and suitable social housing options. This is exacerbated where a person has a newly acquired disability or a degenerative condition, and their former accommodation is deemed no longer suitable. More social housing options being available for patients exiting health settings would likely lead to net savings for Government and reduce client service use.⁶

3.6 Social housing infrastructure portfolio

The ownership and management of social housing infrastructure are shared between the Government, the community and Aboriginal housing sectors:

Ownership and Asset Management of NSW Social Housing Residential Dwellings, 30 June 2020									
		Asset ownership							
		Government		Community		Private sector			
		LAHC	AHO	CHPs	ACHPs	Private sector			
Asset management	Government	FACS	94,515				2,424	96,939	66.7%
				4,560				4,560	
	Community	CHPs	30,550		8,633		6,397	45,580	33.3%
		ACHPs	7	1,180		3,806		4,993	
			125,072	5,740	8,633	3,806	8,821	152,072	
			86.0%		8.2%		5.8%		
Please note: 1,089 SAHF properties included in CHP owned CHP managed count									
Please note: Due to system issues, the Aboriginal Community Housing figure reported in the Social Housing Residential Dwellings Dashboard may differ from the figure reported in Report on Government Services.									

Table: Source DCJ Social Housing Assistance Dashboard. Note: FACS was the former Department of Family and Community Services, it is now the Department of Communities and Justice.

Government

Through LAHC, the NSW Government has the largest social housing asset portfolio in Australia of around 125,000 social homes (including 1,500 used for crisis refuges and transitional housing) worth more than \$50 billion (please note, this does not include AHO housing). Social housing represents 18% of the State's asset value, equal second with Roads, after Transport at 31%.⁷ Around 25% of LAHC's portfolio, or around \$11 billion in housing assets, is leased to CHPs. The balance is operated as public housing with tenancy management services provided by DCJ.

CHPs and ACHPs

Together, CHPs and ACHPs own and/or manage 50,573 or 33.3% of all social and affordable homes in NSW. CHPs and ACHPs own 12,439 properties or 8.2% of all social and affordable homes in NSW. CHPs and ACHPs deliver crisis, transitional, social and affordable housing and specialist disability accommodation (SDA).

A core element of the CHP business model is to cross-subsidise social with affordable housing as they:

- attract higher rents through Commonwealth Rent Assistance
- are eligible for GST, land tax, and rates concessions on housing produced
- have access to benefits not easily available to government reducing the overall cost of delivering housing, including access to low cost finance through the National Housing Finance and Investment Corporation (NHFIC), pro-bono legal costs and directors arrangements, more generous development settings with councils, planning concessions and bonuses, and philanthropy grants
- can partner with private organisations looking to support environmental, social and corporate governance benefits and outcomes.

⁶ After entering a tenancy, the proportion of individuals accessing health services, including presentations for emergency care, psychiatric care, mental health services and people with prescriptions for opioid dependency treatment reduced significantly. The change in use across health care services from entry to public housing resulted in a combined cost saving of \$4,846 per person per year, across all cohorts.

⁷ Infrastructure NSW, 2018, [Building Momentum: State Infrastructure Strategy 2018 2038](#)

These factors position CHPs well to drive growth in social and affordable housing supply and quality. Government seeks out opportunities to expand its partnerships with mainstream and Aboriginal CHPs to leverage these benefits.

3.7 Aboriginal housing

The 2016 Census revealed there was 265,685 Aboriginal people in NSW, representing 3.4% of the total NSW population and 33.3% of the Aboriginal population in Australia. Of this, 46.3% of the Aboriginal population in NSW lived in major cities, 34.5% in inner regional areas, 15.5% in outer regional areas, 2.8% in remote and 0.9% in very remote areas. It has been recognised that Aboriginal people have significantly less access to affordable or secure housing or accommodation than other Australians and that historical events have impacted housing and experiences of homelessness. There are a range of factors that act as barriers for Aboriginal and Torres Strait Islander people to gain access to safe and secure housing, including location of available stock; demand which does not match supply; and a lack of culturally sensitive and appropriate housing pathways.

According to the *Australian Institute of Health and Welfare (AIHW), Indigenous Housing Report 2019*: 55,859 Indigenous households were in social housing; 35,619 or 64% in public housing; 13,817 or 24.7% in state owned and managed Indigenous housing; and 6,423 or 11.5%, in community housing.

As of 31 December 2020, there were 850 Aboriginal households in NSW requiring priority social housing. The breakdown of the main categories of the primary reason for housing for Aboriginal priority housing applications includes: homeless (309); at risk (165); medical (118); disability (104); tenancy reinstatement (69); and domestic and family violence (39).

Eight of the 10 highest demand Local Government Areas (LGAs) for Aboriginal social housing are outside of Sydney. These include Wyong, Dubbo, Newcastle, Nowra, Tamworth, Coffs Harbour, Gosford and Port Macquarie. Penrith and Campbelltown are the only Sydney LGAs in the top 10.

The AHO is committed to the growth, sustainability, and self-determination of Aboriginal people, families, communities, and the broader Aboriginal housing sector. The AHO owns, funds, and finances the delivery of and access to, affordable, quality social and culturally appropriate housing for Aboriginal and Torres Strait Islander people in remote, regional, and metropolitan NSW. The AHO owns over 6,000 properties with an estimated book value of \$2.2 billion. The AHO is guided by *Strong Family, Strong Communities* and an Aboriginal board.

3.8 Land for the provision of housing

Crown Lands has a long history allocating land for residential housing. Since the 1970s, Crown Lands has partnered with Landcom to deliver residential developments under the *Crown Lands Home Site Program*. Current residential land release projects under the program are at:

- North Tuncurry - where about 2,163 residential lots are proposed for 430 hectares on the northern outskirts of Tuncurry, with four kilometres of ocean frontage. The estimated return from the project is approximately \$200 million over 20 to 40 years.
- Hillsborough - for about 66 residential lots.

Supply of Crown land for new and alternative purposes, including land for social housing, is contingent on addressing existing interests including Aboriginal interests, existing tenant rights and various environmental constraints and offsets.

Crown Lands is seeking to better manage these interest through *Crown land 2031 - State Strategic Plan for Crown land*. Released in June 2021, it will progressively reset how Crown land is managed, used, accessed and allocated in NSW by reimagining approaches and relationships, with a mandate to: strengthen community connections with Crown land; accelerate economic progress in regional and rural NSW; accelerate the realisation of Aboriginal land rights and native title in partnership with Aboriginal people; protect cultural heritage on Crown land; and protect environmental assets, improving and expanding green space and building climate change resilience.

Implementation will occur through successive three-year action plans informed by government priorities and communities. The first action plan is being prepared for public release in September 2021. It will include developing pilot programs to trial new solutions and approaches.

4. Response to terms of reference

a) Options to better support 'meanwhile use' (temporary supportive accommodation), and the current major planning barriers to 'meanwhile use'

Housing 2041 introduces the topic of meanwhile use, reframing it as Temporary Supportive Accommodation (TSA) - the use of vacant or underused buildings for temporary residential accommodation for homeless people.

Social housing demand is significant, and tenures are long, with low turnover which while desirable for stable housing, results in lengthy wait times. Capitalising on appropriate cost-effective housing opportunities presented by meanwhile uses is appropriate in this context noting long-term social rather than transitional housing supply is a preferred policy outcome and investment option for Government.

Meanwhile use is included in the *Housing 2041* 2021-22 Action Plan⁸ reframing it as TSA⁹. However, it includes the provision of wrap-around support services a key component of TSA as a meanwhile use housing solution.

Successfully implementing TSA means assessing unique opportunities for TSA proposals. A potential vacant building or land must be safe, meet the housing needs of the people who may live there, and provide suitable services close by. TSA opportunities vary from site to site and TSA proposals would look different across NSW. Proposals may: seek to leverage opportunities for the use of a vacant building or land for between two and 10 years (but given the temporary nature of the opportunity, not accommodate households for more than 18 months); occur on vacant land or buildings; vary in size, being able to accommodate one building or a number of buildings with additional shared spaces. Not all sites will be appropriate for TSA proposals.

An example of a LAHC-delivered TSA project that was possible due to stimulus funding is at **Appendix C**.

Opportunities

The NSW Government is trialing TSA options to inform future models – *The Housing 2041* 2021-22 Action Plan seeks to deliver a TSA pilot project where the Government will partner with local governments, the community housing sector, and developers. The Government has reached agreement with Wollongong City Council to look into vacant buildings and land in Wollongong to deliver a safe home via the TSA model.

The trials may inform regulatory approaches that incorporate clear definitions of meanwhile use to allow for TSA to be expanded in the future, taking into consideration existing policy settings.

Potential for changes in Planning and consent provisions Whilst there are opportunities to use existing buildings to house people that would not require any separate development consent or building alterations, some buildings may not be appropriate for safety reasons or incompatibility with the needs of the target group. In some cases, facilitating TSA may mean changes to development controls such as zoning, land use and permissibility, site suitability and serviceability and compliance with the National Construction Code.

These issues can be worked through with Planning within the Department of Planning, Industry and Environment (DPIE) as part of *Housing 2041* implementation and its soon to be established Expert Advisory Panel.

Challenges

The Arncliffe Estate Redevelopment experience indicates the following challenges associated with TSA:

Cost considerations

⁸ As part of *Housing 2041*, the Government is developing a Meanwhile Use - TSA Discussion Paper that will call on local government, non-government organisations and the private sector to come forward with ideas to deliver additional TSA projects, to assist in meeting the Premier's Priority of reducing homelessness by 50% by 2025. Through the Discussion Paper, the Government will explore opportunities for collaboration across the sector, including the potential for philanthropic offerings from the private sector. The Government will consider stakeholder feedback in relation to the challenges and barriers to enable TSA delivery and identify the role that the Government can play in supporting the sector and the delivery of TSA projects across NSW.

⁹ Note that 'Meanwhile use - Temporary Supportive Accommodation' should not be confused with 'Temporary Accommodation', a term commonly used for very short term crisis accommodation in the specialist homelessness sector.

- *Funding is required to prepare a site for use as TSA* it is likely upgrades and non-essential repairs and maintenance will have been deferred as properties are vacated. Bringing buildings up to standard is costly and takes time out of the window of opportunity for TSA. The financial viability of TSA is directly correlated with the length of use, so revenue generated covers the capital and operating costs of establishing the TSA.
- *TSA accommodation needs to be close to funded support services* for some tenants, acceptance of TSA offers is impacted by the availability of support services. Concentrating disadvantaged households with high support needs without adequate supports poses a range of risks including poor housing outcomes. Rental revenue may not be sufficient to provide more than tenancy management, basic maintenance, and referrals to support services. If more than this is required, additional funding will be needed. These conditions are essential, given the specialised needs of people experiencing homelessness and to assist residents to develop skills to sustain long-term accommodation after their tenure in TSA has expired. Otherwise clients will continue to cycle in and out of crisis accommodation and homelessness.

TSA needs to be linked to a long term solution

- *Benefits from TSA may reduce if long-term housing is not available at the end of support* - projects involving LAHC, DCJ or CHPs can generate expectations for tenants in TSA that one of these agencies will provide their long term housing after they exit TSA. If there is no social housing stock available at the end of the TSA project, the provider may incur the high costs of headleasing from the private rental market, or investment benefits may decline as a person or household's housing stability reduces.

b) Options to improve access to existing accommodation to provide community housing

Opportunities

Headleasing

- Headleasing can potentially supplement social housing stock managed by A/CHPs. The Community Housing Leasing Program (CHLP) funds CHPs \$86.7 million for 5,900 general social housing properties.
- The \$122.1 million *Together Home* program is an example of how headleasing can support the most vulnerable people into secure housing. It was developed to support people who are street sleeping across NSW during COVID-19 into stable accommodation, linked to wrap around support. It is an extension of the Community Housing Leasing Program (CHLP). The key to *Together Home* is that clients receive intensive wrap-around case management support from a sub-contracted local support provider or from the supported services branch of a Community Housing Providers. This support clients to achieve a positive exit into the private market or maintain an appropriate long-term social housing tenancy.

Private rental assistance

- Private rental assistance supports households experiencing or at risk of homelessness to access safe and affordable housing in the private rental market. It provides a time limited, tapered, private rental subsidy for up to three years and facilitates access to support, education and employment opportunities needed to sustain independent housing.
- The objective of Rent Choice assistance is to divert people from social housing by offering medium term subsidies to maintain private rental tenancies that lead to independent living. Private rental assistance was funded \$63.181m in 2020/21 for over 11,000 tenancies with products aimed at domestic & family violence (Start Safely), youth (Rent Choice Youth) and others (Rent Choice, Rent Choice Assist, Rent Choice Veterans).
- The product design of supporting private tenancies with a subsidy assists with short term vulnerabilities while building clients' capabilities to no longer require government assistance.

Culturally appropriate housing solutions for Aboriginal and Torres Strait Islander people

- Accessing community housing for Aboriginal people and families relies on a *culturally appropriate intake system*, culturally appropriate suitable houses matched to needs and to services and supports required to positively sustain tenancies. Understanding Aboriginal housing needs and developing a housing intake model that meets culture, land and kinship needs is the key to improving housing access. A culturally appropriate,

bespoke intake system should be developed to manage the intake of all Aboriginal people and families, designed acknowledging culture, land and kinship needs.

- *Adequate resourcing*, including funding and sufficient levels of Aboriginal people employed to reflect the proportion of Aboriginal people in social housing, is essential to break the cycle of disadvantage, ensure improved outcomes and enable more culturally appropriate responses to community.
- When providing *housing that meets the cultural needs* of Aboriginal people, additional bedrooms and bathrooms can support kinship obligations, sustain tenancies and take pressure off transitional housing.
- AHO's *Services Our Way* (SOW) provides client-facing culturally appropriate service coordination, support and capacity building for Aboriginal people experiencing vulnerability, empowering them to improve their wellbeing and achieve their goals. SOW staff work holistically and collaboratively with clients and service providers, ensuring a culturally suitable and tailored solution addresses underlying causes contributing to instability. *Services Our Way* is an individualised and family centred approach. There are opportunities to expand this program to new communities, to support more Aboriginal people and families.
- AHO is piloting the Leading Community Demonstration Site, including the Gunida Gunyah project, a cultural response to match the needs of Aboriginal people and families to prevent them from entering transitional housing. This project aims to maintain existing housing and provide financial and wrap-around supports. Pending a cost-benefit analysis and evaluation, this program will be a benchmark for expanding to reduce the number of families entering transitional accommodation.

Challenges

Headleasing

- Headleasing is limited by a lack of affordable and accessible private stock, particularly as many landlords will preference a private renter over leasing a property for social housing. Landlords' increasing preference for short term letting arrangements (eg Airbnb) is reducing stock.
- Long-term, stable private rental accommodation is affected by Commonwealth tax settings which encourage or reward some investment activities over others. Supply shortages are exacerbated by the ability of landlords to terminate a lease without grounds, albeit with legislative notice periods.

Discrimination against vulnerable cohorts impedes access to the private rental market

- Very low income private renters, those with complex/specialist needs and Aboriginal households experience private rental market discrimination making it hard to access housing independently. For example, of a representative sample of Aboriginal tenants in social housing in NSW, 21% reported experiencing discrimination getting private rental housing and 15% discrimination getting support services.

The need for early intervention, prevention and wrap-around supports for vulnerable people and families

- Existing temporary accommodation is crisis oriented and can have people moving between temporary housing options, keeping them in the cycle of disadvantage if no long-term accommodation is found. Often this is a result of not being able to meet their rental obligations.
- Families requiring temporary accommodation have reached crisis point which has led to them being homeless or at risk of homelessness, requiring expensive and intensive support.
- Improving collaboration with the Commonwealth, coordination of resources and adopting a client-centred culturally responsive approach will improve the health and wellbeing of Aboriginal communities. Identification and support for Aboriginal families at risk of requiring temporary accommodation would save money and improve outcomes.
- When Aboriginal people are evicted, they may be moved away from services and support they rely on, including disability/mental health services, kinship and community systems. Access to existing wrap-around services and supports should be considered when placing Aboriginal people in temporary accommodation.

c) Options for crisis, key-worker and other short term accommodation models

Access to affordable, appropriate and stable private rental market accommodation can be challenging for women and children, local economy workers, people with a disability, Aboriginal people and low-income earners.

Crisis, local area worker and other short-term accommodation models help respond to these issues, alongside social and affordable housing and other supports. Given the diversity of needs across the homeless population, access points (including crisis accommodation) must be accompanied by supports and onward referral processes.

Services and supports that provide short-term and/or crisis accommodation for people who are homeless or at risk of homelessness include: Specialist Homelessness Services (SHS), Assertive Outreach, Temporary Accommodation and programs such as Staying Home, Leaving Violence¹⁰ and Together Home. \$295.9 million was invested in homelessness interventions, including SHS, in the 2021-22 NSW Budget.

The CHLP funds nearly \$4.8 million for the leasing and tenancy management costs of more than 250 crisis-transitional properties. LAHC's crisis accommodation is typically leased to a CHP (which may be different to the SHS provider who operates the service from the property). All LAHC's crisis accommodation falls under LAHC's Asset Management Framework (AMF), which governs how a CHP interacts with LAHC in relation to the property. The AMF is in addition to the general lease responsibilities, which are:

- For transitional housing properties, the Lessee is responsible for all general repairs, maintenance, rates and taxes applicable to the property, inclusive of ongoing fire safety compliance.
- For crisis refuge properties, the lessor is responsible for all general repairs, maintenance, rates and taxes applicable to the property, inclusive of ongoing fire safety compliance. DCJ acts on LAHC's behalf to perform the actions of the lessor. This responsibility is managed and funded by DCJ and generally managed through a separate maintenance arrangement with a Tier 1 CHP.
- For all types of crisis accommodation, the landlord retains responsibility for structural repairs that arise from defects. DCJ is responsible for responsive and planned maintenance of crisis refuges and funding Building Code of Australia, planning related compliance and fire safety assessments when required and has in the past engaged LAHC to scope and/or deliver these works. DCJ has also funded some of the upgrade works resulting from these assessments when there is budgetary capacity.

Opportunities

New supply of crisis accommodation with better design to support independence

- There are additional opportunities to increase transitional housing to divert demand from social housing and avoid expensive temporary accommodation. This could be achieved by creating a pathway for clients to transition to the private rental market (e.g. like Services Our Way). By increasing short-term rental assistance, more people and families will be able to access the private market to meet crisis/short-term accommodation needs.
- As part of the NSW Homelessness Strategy, DCJ has funded \$6 million for 'core and cluster' refuges. They are in Griffith and Orange (completed), Armidale (preliminary due diligence work has started) and Moruya (scoping to purchase and upgrade a property has started). DCJ will provide funding to LAHC for one further site which will have an Aboriginal service focus.
- *Housing 2041* notes innovative women's refuge models such as 'core and cluster' provide a platform for change for how the Government is supporting those in crisis. LAHC is assessing its portfolio to identify sites that may be used to deliver new core and cluster crisis accommodation to replace homes that are not fit for modern use as crisis accommodation, including due to changing social distancing requirements in response to COVID-19. LAHC is finalising a Functional Design Brief (FDB) in partnership with the Government Architect NSW to establish a best practice design typology model. LAHC will pilot the FDB on the core and cluster site

¹⁰ Domestic and Family Violence (DFV) refuges provide temporary protection and support for women and children escaping violence. LAHC supplies more than 180 properties for use as refuges¹⁰. Properties are usually larger family homes that have been repurposed to lodge multiple families rather than purpose built facilities.

at Armidale. LAHC has sought to validate the design from an Aboriginal cultural perspective. LAHC will apply the Government Architect's *Connecting with Country Framework* as part of developing the Armidale site. This involves connecting with local Aboriginal people and organisations to understand their cultural knowledge about the potential location and ensure cultural considerations inform the site's design and use.

- In 2020, LAHC's Social Housing Infrastructure Proposal was shortlisted by Infrastructure Australia (IA) as a national high priority initiative (the highest priority available in the list). The list is the Australian Government's "authoritative guide to the priority infrastructure investments Australia needs to secure a sustainable and prosperous future." The proposal included a new supply program for regional focused women refuges, requiring \$35 million funding over three years to 2022-23, with LAHC contributing the land needed for the sites. If funded, the program would replace up to nine DFV crisis refuges, housing up to 90 women and children. The refuges would be located in areas with high unmet need for DFV accommodation services and low LAHC social housing supply (for example, Richmond Valley, Tweed Valley, Central Coast, Albury, Port Macquarie-Hastings, Orange, Dubbo, and Kempsey). The program is estimated to sustain 322 jobs and investment would align to the NSW Premier's priority to [reduce street homelessness by 50% by 2025](#) and national priorities and programs including the [National Housing and Homelessness Agreement](#) and the [National Plan to Reduce Violence against Women and their Children 2010–2022 children](#).

Strengthening partnerships between government and local providers

- NSW Health is strengthening partnerships across the health system and its interface with other service systems to improve outcomes for people who are homeless or at risk of experiencing homelessness and link them with suitable and sustainable social housing. NSW Health and DCJ are finalising a new Housing and Mental Health Agreement (HMHA) under the NSW Mental Health Taskforce. It outlines how the two agencies will work together and engage key stakeholders to improve outcomes for a shared client group. The interface with NSW Health services is an important consideration when exploring improved access to social housing.

Challenges

Crisis accommodation condition and capacity to meet demand

- There is an undersupply of bedrooms across a range of locations for refuge accommodation compared to the availability of LAHC refuge bedrooms. In 2019-20, around 21% of people who had experienced DFV, and were seeking short term accommodation, were not provided a service.¹¹ The diagram at **Appendix D** shows the difference between refuge demand by bedroom need, compared to the supply of LAHC properties used as refuges by location.
- Approximately 32% of LAHC's 180+ refuge properties are more than 40 years old, have not been purpose built and instead adapted from existing homes. Many refuges have heritage constraints and higher maintenance costs which impacts the ability to make changes to existing crisis accommodation.
- Social distancing has impacted already crowded crisis accommodation which has property-related constraints such as insufficient numbers of bathrooms, existing dwellings unable to be modified, lack of storage, and lack of access for clients with disability. The existing design of most crisis accommodation also inhibits independence, with families unable to live in wholly self-contained units.
- Some crisis accommodation buildings are in hard-to-evacuate flood and bushfire areas or near noise disruptions, such as major motorways/airports.
- To support the sector, LAHC leases crisis properties for peppercorn rents. This means LAHC has no direct funding source to address structural liabilities, property upgrades and portfolio renewal. LAHC generally meets costs from sales of other not fit for purpose social homes.

New supply requires associated support services

- An expansion of the crisis accommodation portfolio would require a parallel increase in support services.
- Pressure on the availability of supports for DFV survivors and for people with co-existing issues, such as mental health, alcohol and other drug dependencies, is a significant issue. By providing clients who access

¹¹ AIHW, Specialist Homelessness Services 2018–19 data tables.

crisis accommodation with the necessary supports, they can be supported to a pathway out of homelessness.

Long term housing is needed

- Excess demand for sustainable housing options to exit crisis accommodation is a significant barrier. With an increased supply of crisis accommodation, limited supply of ongoing housing options is likely to be a very difficult barrier faced in the NSW housing system.

Regional worker accommodation

Many rural, regional and remote communities do not have the same level of access to frontline workers as metropolitan areas. Bridging this gap is important to ensure the same access and opportunity in the form of improved educational, safety and wellbeing outcomes. It is important housing is suitable to attract frontline workers in rural and remote areas where the private market does not supply it. Teacher and police housing portfolios¹² are focused in areas where there is no adequate private market, or where there is insufficient supply of quality housing in an existing private market. Like the social housing portfolio, the Government's teacher and police housing portfolios are relatively old, and require considerable maintenance investment to keep them operating. The overarching goal is to attract and retain teachers and police where it may be difficult to attract workers or where there may be an insufficient supply of homes for these workers in rural or remote areas.

Funding constraints have resulted in a refurbishment cycle that averages 50 years for teacher housing and 87 years for police housing. Reliance on asset recycling has limited growth in the portfolio, as the residences which can be considered 'for sale' are usually older properties, in rural and remote locations. The combination of these factors results in significant financial challenges for THA and PNSW to deliver housing, with significant risk to the portfolios.

The recent stimulus funding of \$29 million was focused on the refurbishment of existing residences (x 125); heating, cooling, and solar upgrades (x390); and new supply in Walgett, Coonamble and Narrabri (x12).

A whole of government approach to government employee housing could be considered, noting that solutions need to be flexible to accommodate different requirements. For example, NSW Health has a high exposure to major regional towns whereas teachers and police are more typically represented in rural and remote areas. NSW Health has a higher proportion of visiting medical officers needing short stay accommodation, whereas teachers and police tend to be longer term residents. Consideration could also be given to government subsidies being focussed on low income workers such as health system cleaners and aged care workers given there is such a high level of unmet demand for any subsidies at the low and very low income levels (with many on the social housing waiting list for years).

Regional key local worker housing is a particular focus of DRNSW's work as key workers, including police, teachers, nurses, doctors and paramedics, are critical to securing essential service delivery in regional areas. DRNSW is leading an innovative, whole-of-government approach to key worker housing issues and is working with a range of frontline agencies to better understand their specific needs and to craft effective solutions. This work will continue throughout 2021.

Opportunities

Land in rural and remote locations is available and comparatively cheap

- In most towns in rural and remote locations have available land, but it is often on the town fringe. Cost to build rather than land access is the limiting factor. Councils in locations with land shortages could support more land releases.
- Teachers are allocated to particular areas in rural, regional and remote NSW for short periods for a variety of reasons. Options could be explored to ensure accommodation is available for them when required.
- Underutilised government land and assets - could be freed up for housing development through a cycle of portfolio rationalisation.

¹² THA has 1,313 properties (a mix of owned, managed, headleased home and vacant land) and NSWPF housing has 661 properties (a mix of owned, managed and headleased properties).

- Sale and leaseback private investment options in regional towns and cities could also be considered.

Improvements in data will proactively identify and address problems

Better demand data from agencies and around major infrastructure projects (for example the Snowy Hydro) will help identify and address housing shortage issues earlier.

Challenges

Portfolio condition is poor and inflexible

- In rural and remote locations there is a shortage of housing stock of suitable quality. It is generally not financially feasible for a landowner to build a new home or an investor to build new when the cost far exceeds the end value. As a result, available stock is usually in poor condition.
- Some existing stock remains underutilised as it is in need of repair.
- The nature and type of accommodation required by a government employee is not known until the recruitment process is completed. For example, THA may have 4 x two bedroom units available for teachers but if the teacher recruited has a family of four then a two bedroom unit is not suitable.
- Funding is limited and needs to be prioritised and channelled into the most critical locations in support of worker attraction and retention.

Other short-term accommodation models

Opportunities

Innovative models are being trialled

- Social housing providers continue to explore innovative models that provide supports to vulnerable people and add value to the community. LAHC has purchased a site in South Kempsey with the intent to deliver a hybrid model of social housing in partnership with a local education provider and a Tier 1 CHP. The project aims to assist young parents with children to finish their education and transition into employment, by providing them with secure and fit for purpose housing.
- The site is opposite the Macleay Vocational College (MVC), which plays an important part in the community by catering for students who have fallen out of mainstream education for a variety of reasons. The site provides 22 new homes that will accommodate participants in the Ginda Barri program¹³ (an innovative program for young mothers, and mothers to be, to assist them completing their education, gain vocational skills and develop positive parenting skills) and alleviate housing pressure in the local community. The site has been leased to a CHP which will be responsible for tenancy and asset management and implementing a local allocation strategy for the social housing tenancies, ensuring participants have suitable neighbours.
- A tripartite side agreement governs the tenancy arrangements between the CHP and MVC, with the input of a local community representative. It is expected participants will stay in the accommodation for around 18 months, noting that they will not move out simply due to a transition from education to employment – they will be supported to ensure they do not lose access to safe and fit for purpose housing as they transition to the private market when they are ready.

d) Barriers to additional supply across NSW, including for smaller non-CHP housing providers

CHPs have demonstrated capacity and capability to deliver more social and affordable homes and services

Under *Future Directions*, and *Strong Family, Strong Communities*, mainstream and Aboriginal CHPs are being empowered to grow, by managing more tenancies in Government-owned homes, and managing and delivering more social and affordable homes under a range of innovative delivery models, including the Social Housing Management Transfer (SHMT) program, the Social and Affordable Housing Fund (SAHF) and Communities Plus.

In 2018/19, as part of *Future Directions*, LAHC and DCJ transferred the management of approximately 14,000 social housing tenancies across nine packages to CHPs under the SHMT program – the largest property

¹³ <https://www.dpie.nsw.gov.au/land-and-housing/corporation/news/homes-and-support-for-vulnerable-mothers>

management transfer in Australia. The SHMT program allows CHPs to take on delivery and management of housing at greater complexities/scales; achieve efficiencies by delivering housing across locations; and pursue cost-effective locally managed maintenance arrangements. Prior to SHMT, approximately 19% of the social housing in NSW was managed by CHPs, the SHMT program saw this figure increase to approximately 32%. As a result, \$1 billion of Commonwealth Rental Assistance will be made available to NSW over 20 years, funding that was otherwise unavailable to the State.

CHPs are delivering more than 3,400 social and affordable homes from funding generated by the Social and Affordable Housing Fund. And CHPs are core delivery partners for tenancy management and place making under key mixed tenure developments under the Communities Plus program.

NSW CHPs have been significant recipients of NHFIC bond loans in 2020 and 21 significantly reducing CHPs' long-term interest liabilities and increasing their capacity to optimise business models and deliver more homes.

This builds on the successful work that has facilitated CHPs to take on over \$1 billion dollars in debt over ten plus years. DCJ continues to undertake debt facilitation work where CHP assets have a DCJ Secretary Interest (as Housing Agency) Registered on title.

During and after the Global Financial Crisis, NSW delivered around a third of the almost 20,000 new homes that were developed nationally as result of the substantial investment by the Commonwealth through the Nation Building Economic Stimulus Plan Social Housing Initiative. NSW exceeded targets for new dwellings by 450 additional homes¹⁴. This period of investment resulted in substantial community housing sector growth with around \$1 billion in property transferred (mix of management and ownership) from LAHC to CHPs, which significantly boosted CHP balance sheets¹⁵ an important foundation for community housing sector sustainability and further growth. A diagram showing the capacity of LAHC and the community housing sector to deliver new homes at scale when funding is available, and that when funding reduces momentum cannot be sustained, is at **Appendix I**.

More new policies are supporting CHPs to grow further

The community housing sector is supported through policies and programs that collectively seek to build on and grow CHPs' capability, and leverage their access to various tax concessions, planning supports and funding and financing arrangements to help provide more and better housing.

LAHC has recently introduced new policies for CHP Small Scale Direct Dealing and CHP-led Redevelopment on LAHC-owned Land¹⁶. By streamlining processes for making and determining CHP proposals, these policies provide greater certainty and transparency; enable CHPs to actively and meaningfully collaborate with LAHC; reduce costs/time associated with procurement; and enable more rapid renewal and growth of social and affordable housing. Under these new policies: CHPs can submit proposals directly to LAHC to build more social and affordable homes; CHPs with an existing lease on LAHC land can submit a proposal of up to \$25 million to redevelop leased and adjacent properties; and CHPs can submit proposals for small scale land transactions under \$5 million that align with NSW housing policies and priorities.

Since launching the direct dealing policies in December 2020, LAHC has received 20 proposals from a range of CHPs. The first project to be approved, under the Small Scale Direct Dealing Policy, will see a CHP increase from 2 to 7 homes on a site for local women and children to escape DFV and receive wrap around support services.

Other proposals, which are still being considered, have ranged from redeveloping homes which have reached the end of their useful life, developing medium density and seniors housing, purchasing more LAHC homes to lease, using Commonwealth or other grant sources for these homes, and developing crisis and transitional accommodation. LAHC is developing a framework for CHPs who want to secure debt for social or affordable

¹⁴ KPMG (2012) *Social Housing Initiative Review*, Report for the Housing Ministers' Advisory Committee

¹⁵ KPMG (2012) *Social Housing Initiative Review*, Report for the Housing Ministers' Advisory Committee

¹⁶ <https://www.dpie.nsw.gov.au/land-and-housing/corporation/plans-and-policies/chp-led-redevelopment-on-lahc-owned-land>;
<https://www.dpie.nsw.gov.au/land-and-housing/corporation/plans-and-policies/policy-for-chp-small-scale-direct-dealing>

housing. This 'securitisation policy' applies where there is surplus income from properties that CHPs lease from LAHC, or where LAHC has an interest on CHP owned land.

Between December 2020 and April 2021, LAHC converted 11,000 properties from three to 20-year leases, providing CHPs more secure long-term revenue streams to grow their portfolios. LAHC is now converting more than 900 leases with Tier 2 CHPs to 20-year terms.

The social housing sector has capacity and capability to deliver more with funding

In the 2020-21 budget, LAHC and AHO were allocated \$892 million in stimulus funding over four years to support jobs, businesses and people in need of social housing. Over the last year, LAHC and the AHO have delivered a range of stimulus initiatives on time and budget, including more and better homes and a better experience for tenants and local economy workers.

Over the past year, LAHC has reorganised and refocused its business, supported by a new 20-year [Portfolio Strategy](#).¹⁷ The effect has been that LAHC has delivered 408 new social homes, 2.5 times more than LAHC delivered the year before, with many homes funded from 2020-21 stimulus and the successful Millers Point Accommodation strategy which has seen 4-5 dwellings replace each dwelling that was sold. A diagram showing where LAHC has delivered these new homes is at **Appendix F**.

The \$40 million provided in stimulus funding to upgrade CHP-managed LAHC properties has sustained jobs, stimulated local economies, and contributed to improved tenant health and wellbeing. The speed in which the funds were allocated and spent demonstrates CHPs' capacity to deliver on time and budget; while the substantial level of interest reflects a valuable proactivity and willingness to partner to achieve housing outcomes. The tender was 2.5 times over-subscribed by CHPs, showing interest and need for the funds, and immediate capacity to roll out further programs if additional investment was available. CHPs used the funding to upgrade more than 2,000 properties, including 330 bathroom, 380 kitchen, 290 roof and 230 window replacements and 950 external painting jobs.

LAHC, AHO, THA and the community housing sector have demonstrated the capacity and expertise to deliver more homes and maintenance at scale, using state-wide and local procurement and contracts and local supplies, trades and services. Highlights of the stimulus investment for LAHC are at **Appendix H** accompanied by photos at **Appendix A**.

Opportunities

Extending existing LAHC strategies to deliver a more sustainable social housing portfolio

- *Accelerating social housing supply through self-funded small scale redevelopments* Asset recycling reinvests proceeds from homes generally not fit for purpose as social housing into new and better located homes and represents good asset management practice. For example, the Millers Point program has delivered more than 1,560 new homes of 1,875 planned using the proceeds from sales of 419 properties. LAHC is constrained in its ability to do this on a large scale as almost all properties are tenanted and over 60% are on superlots so not easily sold. However, LAHC plans to build around 400 new homes each year this way.
- *Further pursuing larger scale renewal in partnership with others* The Communities Plus program leverages LAHC's social housing portfolio in high value mostly Sydney area precincts, eg at [Ivanhoe](#), [Waterloo](#), [Telopea](#), and [Glendale](#). The [Tolland Urban Renewal](#) project is in partnership between Argyle Consortium, LAHC and the AHO in Wagga Wagga to masterplan the renewal of social, affordable and private homes and deliver enhanced open spaces and community infrastructure.
- *Partnering with the community housing sector* to facilitate more innovative programs like the [Community Housing Redevelopment Program](#) (CHRP) whereby CHPs can access project finance to deliver new social and market rental homes delivered on LAHC land under a long-term lease, leveraging CHP access to innovative

¹⁷ <https://www.dpie.nsw.gov.au/land-and-housing-corporation/plans-and-policies/lahc-portfolio-strategy-released-december-2020>. Further information, and supporting policies, frameworks, and agreements are at **Appendix G**. LAHC is also guided by the Government priorities and policies found at **Appendix B**.

financing, Commonwealth Rent Assistance, local government contributions and other concessions, to deliver more homes sooner.

New models that leverage equity and finance

- Currently, most LAHC partnerships focus on 'build to sell' arrangements where LAHC exchanges land with a private developer, which supplies LAHC with social homes, and produces other homes which are sold to pay for the development. LAHC is piloting a new approach: a built to rent funding model under the CHRP.
- CHRP leverages an innovative financial and transaction model setting a new benchmark for funding housing supply. Under this model, CHPs have access to an optional project finance package from NHFIC and Cbus Super. CHPs can construct new social and market rental housing on LAHC-owned land, and be given a long-term lease over the land. At the end of the lease, the land and all improvements, fixtures, fittings and dwellings constructed on LAHC's land will be handed back to LAHC. The successful CHP will manage and deliver the developments over a 49-year lease term. Additional, modern and fit for purpose social and market rental housing will be created that blends in with existing housing in the area.
- The availability of NHFIC finance¹⁸ means on more developments, where a single site is mixed tenure (social, affordable, and/or private rental housing) or a number of sites may be multi-tenure (eg one site is all social, one is social and affordable and one is affordable or market only), the amount of direct funding needed to support a development is reduced. While the overall funding to produce the homes remains the same, some of the development costs can be financed through debt with the CHP borrowing from NHFIC and the debt repaid from the rental incomes with affordable and market rents cross-subsidising the lower social rents. While this model does not work on every site, given market rental values differ between locations, there are many locations where it could.¹⁹
- NHFIC also offers grants and loans to CHPs, councils and governments for housing enabling infrastructure (such as roads, electricity, telecommunications, gas, site remediation etc), which can assist in financing and lowering the costs to develop more social and affordable housing. In August 2020, [LAHC was the first organisation nationally](#) to make an agreement to use the National Housing Infrastructure Facility.

Expanding co-contribution and partnership models

- *Aboriginal Community Housing Investment Fund (ACHIF)* - Further opportunities to increase housing supply, by sharing costs are available through the ACHIF, where government can invest in ACHPs and LALCs to build more social housing stock on land that is already owned by Aboriginal controlled organisations. Many ACHPs and LALCs own large amounts of land but are unable to attain funds to build or develop the land unless government invests in these organisations upfront.

The ACHIF increases the skills and capacity of ACHPs and LALCs, growing their business and enabling self-determination of Aboriginal community controlled organisations. The ACHIF also focuses on prioritising jobs for Aboriginal and non-Aboriginal people where the works are being undertaken.

To date, through the ACHIF, ACHPs and Local Aboriginal Land Councils (LALCs) have been able to access grants (\$50 million one-off fund) from the AHO to build and upgrade social housing and the AHO is anticipating delivering up to 1,500 upgrades and more than 35 new homes by 30 June 2022.

The procurement process saw tender submissions of more than \$175 million in applications for funding from a fund amount of \$50 million. This shows the demand for such community focused initiatives such as ACHIF, enabling community to better utilise their land and ensure government can achieve value for money of new social housing.

- *Community Housing Innovation Fund (CHIF)* - is based on a co-contribution model. Upfront grants are provided to CHPs with a requirement that they co-contribute a proportion of the cost of the development.

¹⁸ NHFIC's Affordable Housing Bond Aggregator (AHBA) provides low cost, long term loans to registered community housing providers (CHPs) to support the provision of more social and affordable housing. NHFIC funds AHBA loans by issuing its own bonds into the wholesale capital market. The Australian Government has provided a \$1 billion line of credit facility through which NHFIC may advance initial loans to CHPs prior to issuing bonds. The AHBA uses a 'pass through' model to provide greater funding certainty and lower finance costs to CHPs. This assists them to expand their operations and the supply of social and affordable housing. <https://www.nhfic.gov.au/>

¹⁹ See NHFIC's May 2021 report [Delivering more affordable housing: an innovative solution](#)

Tranche 1 (\$23.1 million) of this fund has yielded \$37.1 million in co-contribution from CHPs in the form of debt, equity and land contributions. These \$60 million worth of projects will yield 171 primarily social housing dwellings. The around 60% co-contribution from CHPs represents a major saving to government and is a good model to replicate the construction 'at scale' of social and affordable rental housing in NSW.

CHPs will own these dwellings with government interest registered on title securing them in perpetuity. This has been a key driver of the program's uptake by the sector. This improves the risk reward equation for CHPs encouraging them to co-contribute larger amounts, lowering government cost of delivery. This demonstrates the leverage dividend of this type of program as CHP balance sheets are built over time, providing greater capacity for future borrowing for more affordable housing.

- *Prioritising funding for investment in existing and new social and affordable housing* - would create opportunities to provide capital grants or loans that encourage and expand partnering with CHPs, the private sector, and local community organisations that own land or have long term leases on government-owned land. There are build to rent operators, residential developers and infrastructure organisations interested in partnering with CHPs. There are smaller scale, localised not-for-profit organisations and CHPs that have one-off or small-scale social housing development interests which could deliver developments in partnership with local home builder developers. These projects can be realised with a capital contribution.

Eligible organisations would need to be CHPs, CHP-led consortia, or small scale local not-for-profit organisations registered with the Australian Charities and Not for Profit Commission and cooperate with CHPs registered under the NRSCH or NSW Local Scheme. Land to be developed would either be owned by the local organisation or long term (20+, or 49 years) leased government land, including Commonwealth, State or Council land and/or financial contributions. All homes delivered would be used for the purpose that they were funded, and a caveat or statutory interest placed on title enforcing this requirement.

All cash flow and maintenance liabilities associated with the new properties would remain with the local organisation or CHP developing the property. This program would provide a funding source for local development and construction partnerships with the private sector including in regional areas. It would also support local jobs directly through project delivery and providing lower cost rental homes including for regional local workers.

Negotiate to redirect Commonwealth loan repayments

- LAHC is carrying historical loans under past Commonwealth State Housing Agreements (CSHA) with about \$766 million still to be repaid over the next 20 years. The outstanding balance of the NSW debt to the Commonwealth for 2021-22 to 2041-42 is around \$535 million. Interest due on this outstanding debt equates to an additional \$231 million. LAHC currently directs about \$55 million a year to these old debt repayments. The first of the CSHA loans between the NSW and Commonwealth Governments was in 1948-49, and the last was in 1988-89. These principal and interest loans provided funding for new dwellings to accommodate working families and returned servicemen and their families. NSW would welcome the opportunity to negotiate with the Commonwealth on an agreement to redirect these payments to new refugees and more social and affordable housing.

Strategic tenant relocations

- An important lever for LAHC to deliver more homes over time is for relocated tenants to move into newly delivered homes nearby. This means tenants only move once; the process is quicker as plans can be made based on when the new homes will be completed, rather than an ad-hoc vacancy arising; both the tenant and DCJ have certainty about where/when the relocation will happen; and LAHC can better plan the timing for the vacated property to be redeveloped or sold. LAHC's new [Strategic Relocations Policy](#) promotes arrangements that enable delivery of programmed redevelopments, support a pipeline of sales, and address under occupancy.
- An opportunity exists to provide working capital to buy or build new homes to relocate tenants into, while other homes are redeveloped. Working capital funding could then be replenished from the sale of vacated homes and the process continued and accelerated. Providing working capital, rather than selling homes first, unlocks potential for more homes to be delivered faster and provides tenants more certainty about where they will be relocated.

Planning reforms

- Planning reforms could remove barriers and speed up the process of social housing delivery - eg. LAHC has the ability to 'self-assess' development proposals for new social housing that are within established criteria under Part 5 of the *Environmental Planning and Assessment Act*. The purpose of the Part 5 assessment system is to ensure public authorities consider environmental issues before they approve activities that do not require development consent from council. The development has to be undertaken by LAHC, be housing, be less than 8.5 metres high (ie. two storey development), provide car parking, and be less than 60 dwellings. The 60 dwelling criteria was increased from 20 dwellings on 1 February 2021. This increase provides greater flexibility for larger redevelopments to meet demand for more fit for purpose homes.
- There is an increasing disparity between social housing density and planning approval timeframe assumptions in social infrastructure business cases and results being realised via local council or State Significant Development pathways. Transport and other infrastructure business cases also make assumptions about future residential housing density which if not achieved can affect viability and benefits. In April 2020, as part of the Government's response to COVID-19, a new fast tracked assessments process was introduced. Two social housing projects - one at Ivanhoe, Macquarie Park for 3,300 new homes including 950 social and 128 affordable and one in Gosford for 41 social homes - were 'fast tracked', demonstrating shorter approval times within existing planning controls are possible.
- Victoria has made recent changes to expedite planning and consent arrangements in support of its new social housing development agenda, including a provision in the Victoria Planning Provisions to streamline the planning permit process to construct/extend a dwelling or front fence if the application is made by or on behalf of the Director of Housing.
- The NSW Productivity Commission has recently released a White Paper²⁰ recommending several reforms, including changes to planning controls.
- Mandatory targets could be incorporated for an Affordable Rental Housing Scheme from new developments.

Shared Accommodation reforms

- The shared accommodation reforms being led by the Department of Customer Service (DCS) aim to ensure higher accommodation standards and other protections for people living in all forms of accommodation where they share basic facilities with other residents. This will remove hurdles to the development of innovative solutions such as mutually beneficial arrangements between, for example, older homeowners and young people at risk of homelessness.

Challenges

Significant resourcing constraints

- *LAHC's portfolio strategy aims to improve LAHC's financial sustainability* - LAHC is self-funded and relies on rental income and proceeds from sales of older homes that are not fit for purpose as social housing, to pay for tenancy management, council rates, maintenance, capital upgrades (eg bathrooms, kitchens), and new homes. Reports by the Audit Office of NSW, the Independent Pricing & Regulatory Tribunal (IPART) and Infrastructure NSW (INSW) have consistently confirmed that LAHC's funding arrangements do not enable it to meet social housing need.

In 2001, the Audit Office of NSW published a Performance Report on the Maintenance of Public Housing.²¹ It stated that the National Public Works Council estimated the annual maintenance cost as a percentage of dwelling replacement cost for properties more than 40 years of age should be 2.3% per annum and for properties less than 10 should be 0.6% per annum.

Based on these benchmarks, \$660 million per annum (in today's dollars) is needed to cover costs on the portion of LAHC's properties aged over 40 years (ie 66,000 homes or more than 50% of the portfolio).

However, due to its constrained funding model, LAHC is only able to invest about \$500 million in 2021-22 for

²⁰ Productivity Commission White Paper 2021, *Rebooting the Economy*, https://www.productivity.nsw.gov.au/white_paper

²¹ NSW Audit Office, 2001, *Maintenance of public housing* https://www.audit.nsw.gov.au/our_work/reports/maintenance_of_public_housing

maintenance of its entire portfolio, noting this year includes \$90 million in stimulus funding. Currently LAHC forecasts average annual total maintenance expenditure of \$410 million from 2022-23 to 2025-26.²²

The Audit Office later noted LAHC's funding arrangement does not enable it to meet public housing need.²³ It reported that with constraints on rental and grant funding, and assets requiring increased maintenance expenditure, the impact on the condition and levels of stock is negative and financially unsustainable.

A 2017 review²⁴ into social housing rental models by IPART identified financial sustainability as a challenge to the social housing model. It recommended the Government pay an explicit subsidy that equals the gap between the tenant contribution and market rent (estimated at the time to be \$945 million per year) to place social housing on a financially sustainable footing. IPART's report indicated that this subsidy is met by LAHC through operating losses, deferred maintenance, unfunded depreciation, and forgone returns on assets.

In 2019, INSW undertook a review of LAHC's asset performance and maintenance and found that LAHC's ability to provide necessary maintenance is increasingly constrained by its self-funded model, and that LAHC is far below the industry benchmark ratio for capital maintenance expenditure of 2-3%, with LAHC's ratio sitting at 0.4%.²⁵ A diagram explaining **LAHC's funding model can be found at Appendix E.**

- *LAHC must sell over \$150 million worth of properties every year (around 200 homes) to fund capital maintenance.* The average age of LAHC-owned dwellings is over 40 years.²⁶ Ageing assets are costly to maintain. Approximately 54% of LAHC's social homes are aged 41 years or more, and by 2038, two out of three homes will be aged more than 60 years. Currently, LAHC spends about \$1 million a day in response to 730,000 work orders a year for repairs and maintenance. As a self-funded agency, LAHC is in the unenviable position of having to sell properties to fund capital maintenance expenditure. This funding model decreases social housing to meet demand and leaves a capital funding gap which becomes even larger as the portfolio ages. One of the benefits of partnership models to deliver more social housing, for example via the Social and Affordable Housing Fund, the Community Housing Redevelopment Program Pilot, and Community Housing Innovation Fund is that rent revenues from the new homes can cover future capital maintenance costs. This will reduce overall social housing system cost pressures while also facilitating growth in the overall social housing stock.
- *Value capture - Communities Plus*²⁷ aims to accelerate the delivery of social and affordable housing by leveraging the value of existing NSW Government land and property assets, and the benefits of rezonings for more housing density, and reinvesting the uplift into LAHC's portfolio. Under *Communities Plus*, private developers secure the right to develop high value land in exchange for delivering a percentage of social dwellings in the development. These projects generally depend on rezoning, requiring the approval of the Minister for Planning and Public Spaces and generally the collaboration and support of council. *Communities Plus* aims to 'recycle' assets of highest value, noting they are finite and cannot be readily replenished if sold. The model's commercial viability is premised on a ratio of 30% social housing where possible and 70% private ownership (or rental).

The model assumes LAHC can increase the number and quality of public housing without any direct injection of Government capital or recurrent funding, and that rezonings will be approved, enabling more new homes to be delivered. However, there is less viability in regional NSW, because of lower land and property values, and lower sales and rental market values, do not provide the same value capture opportunities to fund replacement and additional social homes as those in metropolitan areas. Land away from the infrastructure

²² Based on LAHC corporate information including the Business Plan and Statement of Business Intent.

²³ Making the best use of public housing <https://www.audit.nsw.gov.au/our-work/reports/making-the-best-use-of-public-housing>

²⁴ IPART, 2017, Review of social & affordable housing rent models <https://www.ipart.nsw.gov.au/Home/Industries/Special-Reviews/Reviews/Affordable-Housing/Review-of-Social-and-Affordable-Housing-Rent-Models>

²⁵ Infrastructure NSW, *State Infrastructure Strategy 2018* 38

²⁶ While many homes in NSW are older than 40 years, because social rents are income based and they don't link to the costs of maintaining homes, repairs and maintenance are continually prioritised. This means small repairs may not be initially prioritised but over time leading to higher replacement costs later. And, as most social housing tenants do not work, mainly due to age, social homes are occupied for more hours each day than other homes. This means cumulatively more wear and tear on properties by age.

²⁷ The Communities Plus program is a key commitment of *Future Directions for Social Housing in NSW*²⁷, the NSW Government's 10 year plan for social housing which was launched in 2016. <https://www.facs.nsw.gov.au/about/reforms/future-directions>

and amenity of the city is less attractive for private development and more difficult to generate the profit from private sales to subsidise the social housing.

The *Communities Plus* model therefore has limited viability in areas that are west of Parramatta or in regional areas. This constrains LAHC's ability to grow social housing without direct investment from its self-funded model in the regions to renew and redevelop high density social housing estates. It generally means LAHC must cross-subsidise new homes in regional areas from sales of homes in metropolitan areas.

- *Resourcing Aboriginal housing* - Opportunities to reduce costs and asset recycling have helped AHO deliver more for less. However, *2019 AHO Asset Portfolio Review* found that the capital funding is not sufficient to address levels of housing demand. Property prices have increased over recent years, eroding the spending power of existing budgets. An unforeseen impact of COVID-19 has been construction cost inflation due to resource scarcity. The cost of materials has increased by 20% or more over the past year. Resourcing challenges remain to increase the cost of Aboriginal housing.

Access to affordable land or other capital contributions

- Generally, access to land or other capital is a major barrier to the development of additional social housing as land costs often comprise a significant portion of the cost associated with social housing development. Where local not-for-profit organisations or local councils have land they wish to develop into housing for low income households, they usually have limited access to capital contributions that enable these projects to become feasible. In LAHC's case, while its new direct dealing policies are tested through initial implementation, land contributions accessed for not-for-profit development of social housing are limited to partnerships with Tier 1 and 2 CHPs and involve a long term (49 year) lease on the land.

Inflexibility of existing portfolio

- Around 50,000 of LAHC's social homes (38%) are concentrated on estates. In metropolitan areas just over 70% of homes are located on superlots, often with complex titling and utilities servicing arrangements that are costly to resolve through separate titling. This constrains capacity for sales or easy conversion to mixed tenure long-term rental options.

Tenant considerations – under-occupancy and relocations

- Many LAHC homes are larger than those needed by current residents and households on the social housing waitlist. This creates significant under-occupancy in more than 15,000 homes (15%) across the portfolio and adds significantly to maintenance costs and foregone rent.
- Almost all social homes (LAHC, AHO, CHPs and CHPs) are occupied nearly all the time. This means that to redevelop a site into more new homes, or to sell a site to pay for new homes, tenants need to be relocated. Relocations are planned with great care so tenants move to a home suited to their needs. Given the older age of most of social housing tenants, this often means a more manageable home nearby, where they can age in place.
- From a tenant perspective, relocations can be unsettling and a cause of stress. This stress can be reduced if tenants and tenancy managers have more certainty about where a tenant could relocate to. This can be increased if more tenant relocations were planned so tenants moved into newly built homes as tenants can know in advance where and when they will move. If relocations are delayed (eg due to lack of other vacant homes or tenant objections), they cause timing risks in delivering new homes, as sites cannot be prepared for redevelopment or construction until the site is vacant.
- Relocations are vital to enable more fit for purpose homes to be built, to make better use of land to house more people and families, to improve asset utilisation with more people living in fit for purpose rather than under-occupied homes, and to enable sales of homes which are not fit for purpose to fund new homes.

Gradual reduction in Commonwealth funding to States and Territories for new homes

- Since the 1990s, the Commonwealth has reduced the total amount of funding it has made available to States and Territories either through direct grants or loans for social housing supply (other than the Global Financial Crisis 2009-2013 social housing stimulus package). This has seen growth in social housing significantly reduce in the decades since 2000.

Planning regulations

- Planning regulations can be a constraint on social housing development, as they may be on a private development. These include height and density restrictions and minimum open space requirements that reduce the number of homes that can be accommodated on any given site. *Future Directions* envisaged asset recycling programs would deliver 23,000 homes of which 16,000 are replacement with a net increase of 7,000 (all from existing asset values and dwelling uplifts on existing LAHC properties). However, this has been difficult in practice due to planning requirements. For example, a mixed tenure LAHC development in Waterloo has been delayed for four years by City of Sydney requirements. This causes concern and confusion for tenants who have been advised they will be relocating and are still in place several years later. *Housing 2041* will facilitate collaboration to find solutions to some of these issues.

Community objections

- Local communities often object to the construction of social housing and other forms of shared accommodation, such as refuges and boarding houses.

e) Support for and accountability of registered community housing providers

The National Regulatory System for Community Housing (NRSCH) commenced in 2014 and was established in agreement by the Commonwealth, States and Territories in 2012, to ensure a well-governed, well-managed and viable community housing sector, in addition to a reduced regulatory burden for CHPs. The NSW Local Scheme commenced in 2017. It closely mirrors the NRSCH but does not include the 'wind-up' condition of registration under the Act, allowing a focus on registering LALCs who would not register if their land could be claimed by the State.

The Registrar of Community Housing aims to ensure a well governed, well managed and viable community housing sector that meets the needs of tenants and provides assurance for government and investors. The primary purposes of the regulatory framework are:

- Protecting vulnerable tenants and improving tenant outcomes providing assurance to the Government and tenants that CHPs have the organisational capability and capacity to manage their portfolios
- Protecting government assets and funding to ensure that regulated providers continue to develop on a sustainable foundation and that regulated CHPs can diligently manage government funding and assets
- Facilitating private sector investment providing investors with the confidence to invest into CHPs, while also providing assurance of CHP creditworthiness.

The Registrar's key functions are to:

- maintain the national register of CHPs along with registrars in other participating jurisdictions
- assess the suitability of entities to be registered as a CHP
- register entities as registered CHPs and cancel the registration of registered CHPs
- monitor compliance by registered CHPs with community housing legislation and to exercise enforcement and intervention functions under the legislation
- investigate complaints about the compliance of registered community housing legislation.

Stimulus projects completed

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Cumberland LGA



Blacktown LGA



Liverpool LGA



Bankstown LGA



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Camden LGA



Parramatta LGA



Liverpool LGA



Stimulus projects completed



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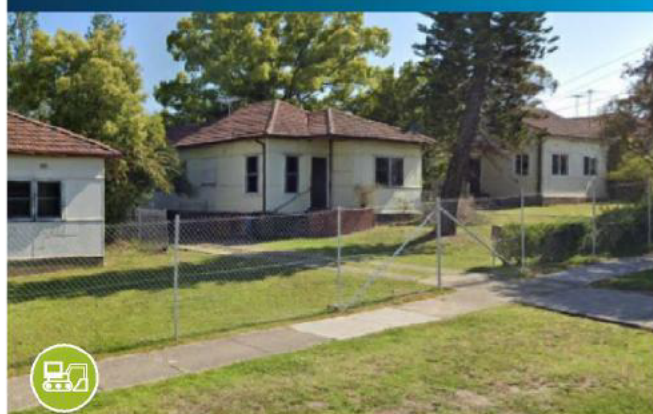
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Stimulus projects in construction

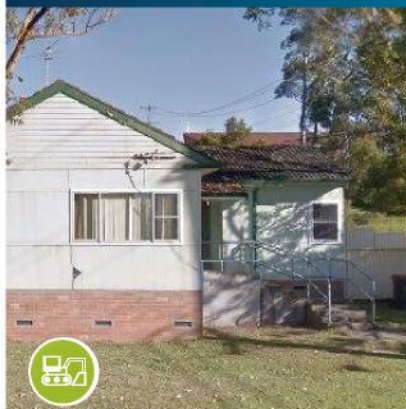


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Newcastle LGA



Artist's impression of the development

Bankstown LGA



Artist's impression of the development

Blacktown LGA



Artist's impression of the development

Liverpool LGA



Artist's impression of the development

Stimulus projects in construction

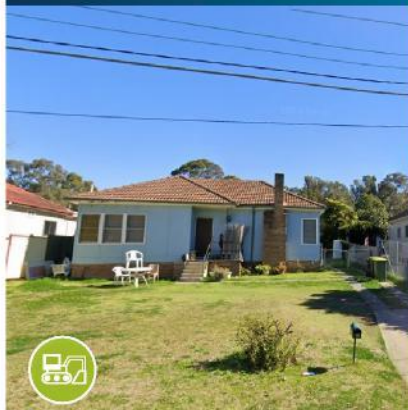


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Bankstown LGA



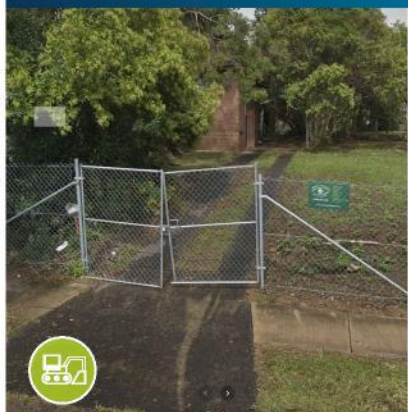
Artist's impression of the development

Bankstown LGA



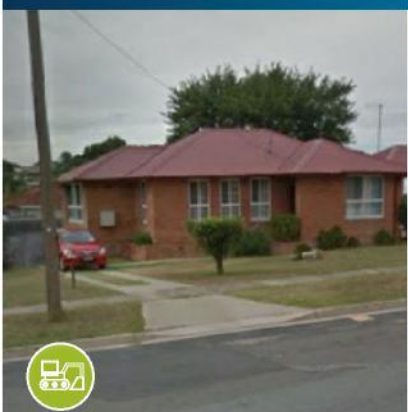
Artist's impression of the development

Ryde LGA



Artist's impression of the development

Goulburn Mulwaree Shire LGA



Artist's impression of the development

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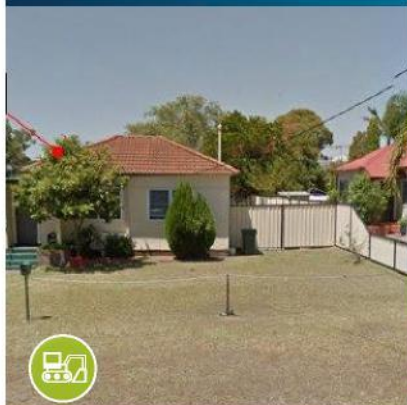


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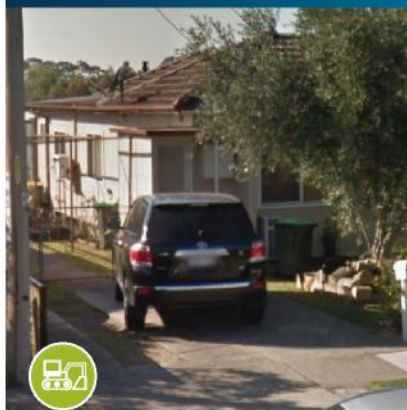
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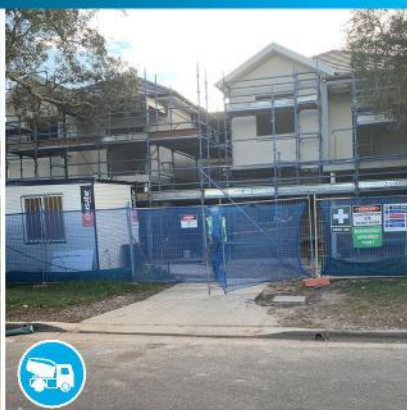
Cumberland LGA



Cumberland LGA



Georges River LGA



Georges River LGA



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Georges River LGA



Artist's impression of the development

Georges River LGA



Artist's impression of the development

Georges River LGA



Artist's impression of the development

Parramatta LGA



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Hawkesbury LGA



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Georges River LGA



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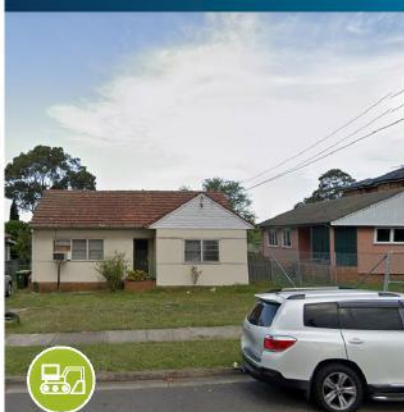
Parramatta LGA



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Artist's impression of the development

Parramatta LGA



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Parramatta LGA



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Wollongong LGA



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Artist's impression of the development

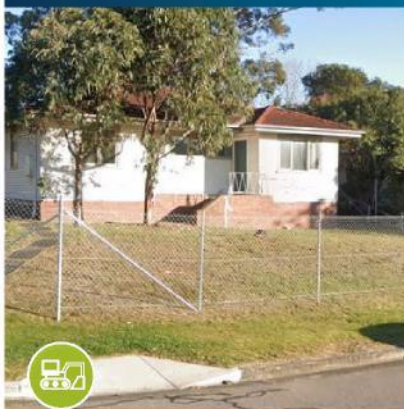
Wollongong LGA



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Newcastle LGA



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Artist's impression of the development

Stimulus projects in construction

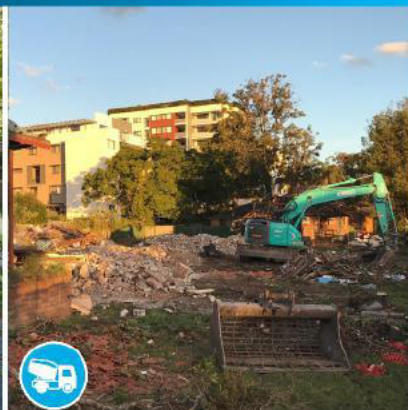
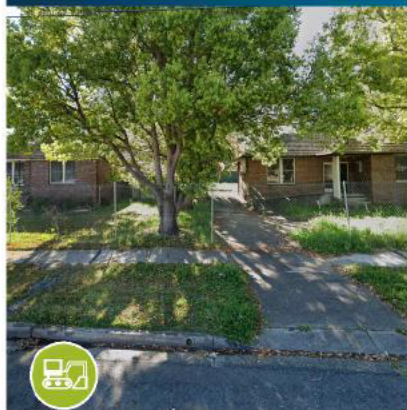


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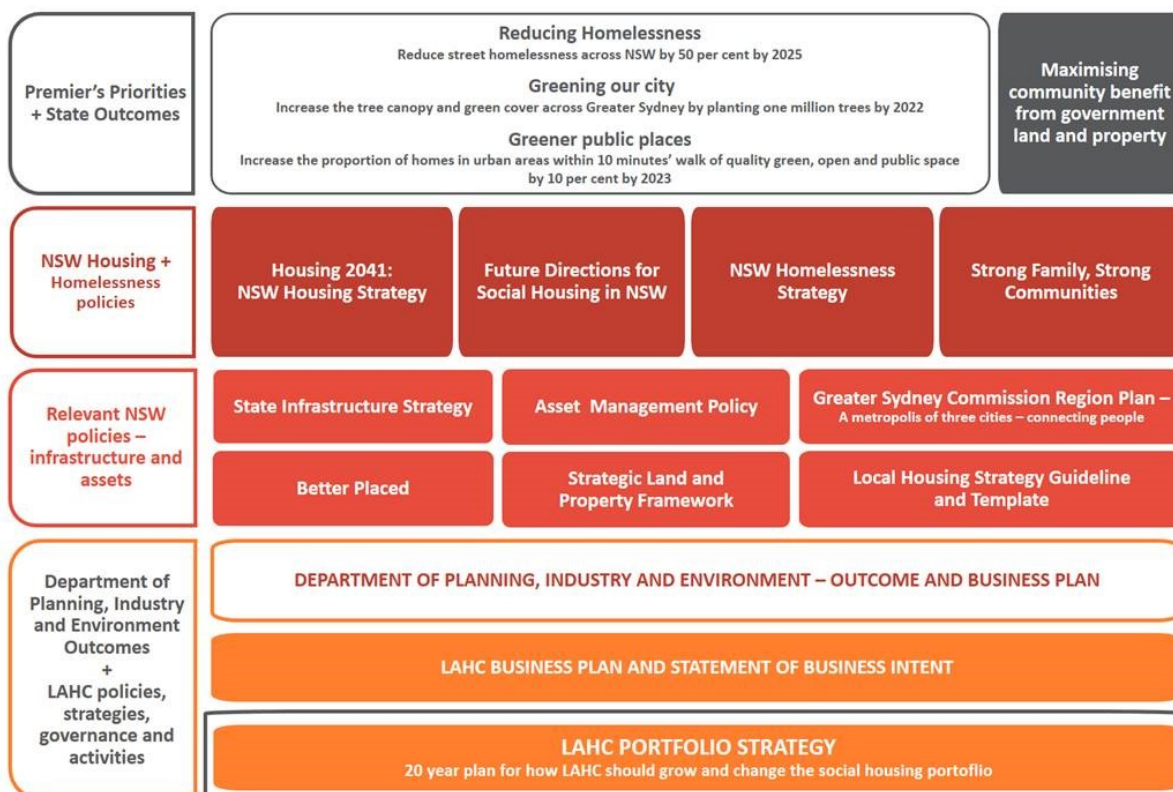
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GOVERNMENT PRIORITIES AND POLICIES

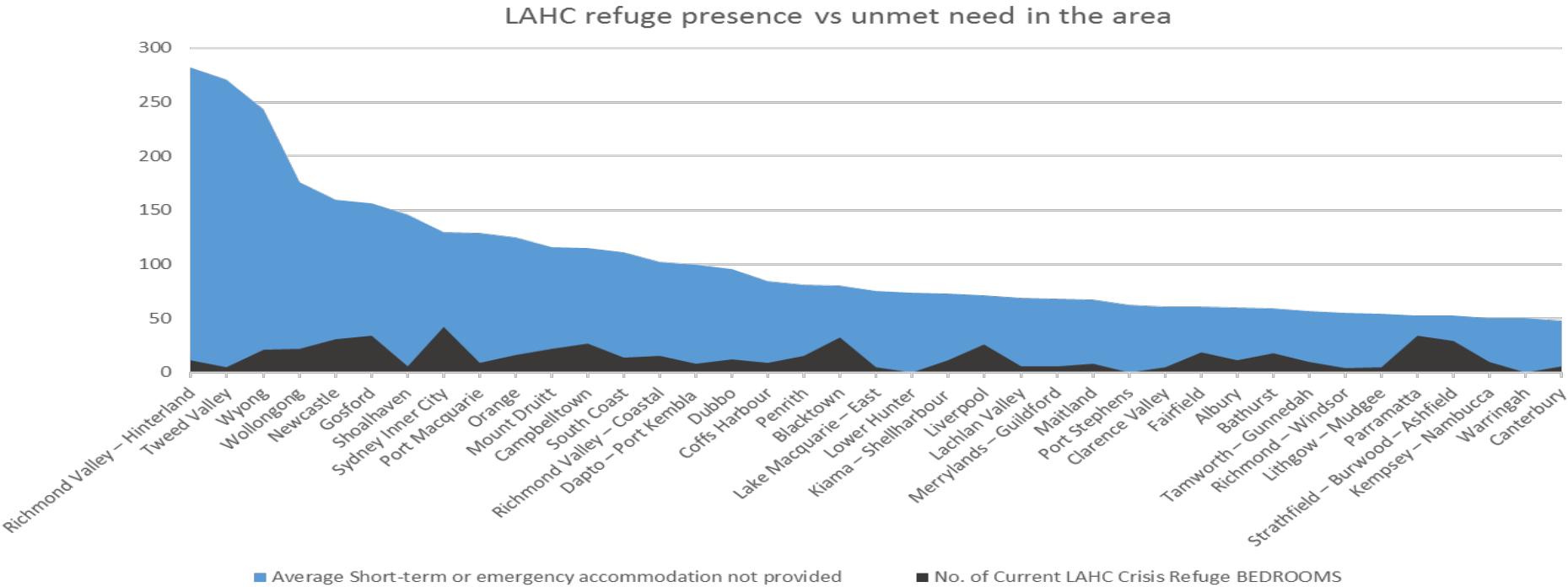


EXAMPLE OF A LAHC-DELIVERED TSA PROJECT THAT WAS POSSIBLE DUE TO STIMULUS FUNDING

Case Study – Arncliffe Estate Redevelopment

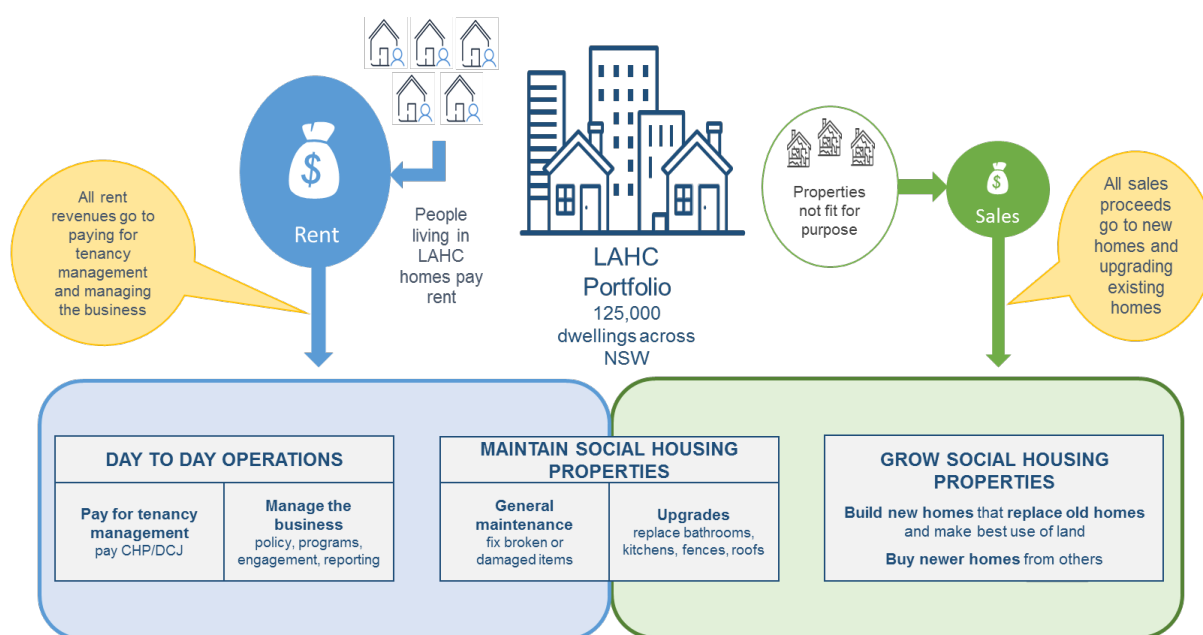
- Prior to the COVID-19 pandemic, homes at the Arncliffe estate had been vacated, ahead of planned renewal of the site into new mixed tenure housing.
- In 2020, LAHC used \$1.5 million in stimulus funding to refurbish 130 vacant units at Arncliffe to provide temporary housing for vulnerable people in response to COVID.
- The temporary housing will run until 2023.
- LAHC worked closely with community housing provider (CHP), Evolve Housing, to deliver the refurbishment works.
- LAHC understands from Evolve Housing that it received additional funding from a philanthropic source which enabled the onsite delivery of community development, tenancy management and assets services. This was necessary given the low number of locally based support services and the high level of support needs of tenants.
- Parallel to this activity, LAHC's construction delivery partner Billbergia, continues to progress a State Significant Development Application for the redevelopment project, which will include a public exhibition of the plans.
- The redeveloped complex will deliver around 744 new homes, including 180 new fit for purpose social homes. The new social housing will be ready in around 2026, and the project will reach full completion in 2028.
- An estimated 1,700 jobs will be created over the life of this \$340 million project.

REFUGEE DEMAND BY BEDROOM NEED, COMPARED TO THE SUPPLY OF LAHC REFUGES BY LOCATION



NSW LAND AND HOUSING CORPORATION FUNDING MODEL

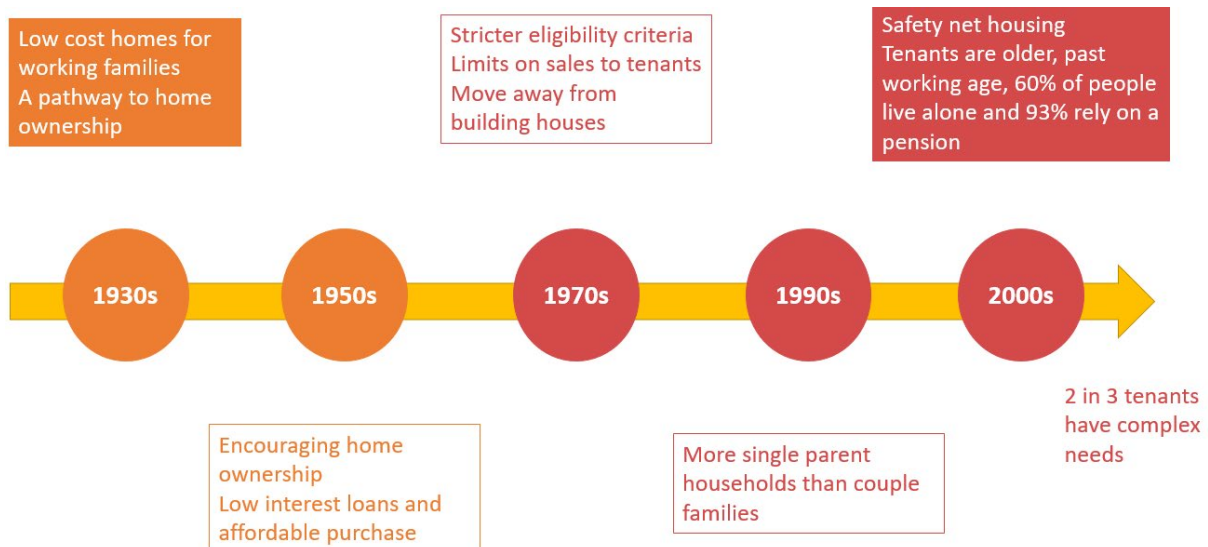
Social housing rents have become substantially, but indirectly, subsidised by LAHC in the form of foregone revenue and increased dependence on sales. This has happened as the purpose of social housing has changed to become a social safety net, mainly for older people and people with complex needs. The diagram below shows how the purpose of social housing has changed over time.



LAHC is occasionally provided grants to fund maintenance and property upgrades. LAHC receives a very small portion of funding for NSW from the National Housing and Homelessness Agreement (about \$56 million / year) but must also make annual payments on old historical loans from the Commonwealth Government for housing supply delivered in the 1970s and 80s. The diagram below provides an overview of LAHC's annual income and expenditure over the forward estimates 2022-2025:

LAHC Funding – annual average – forward estimates	LAHC Expenditure – annual average – forward estimates
TOTAL Income = \$ 1.461 bn Annual average over forward estimates 2022-2025	TOTAL Expenditure= \$ 1.461 bn Annual average over forward estimates 2022-2025
Rents Paid by Tenants \$797m	Everyday Repairs and Maintenance \$281m
Sale of Homes (net proceeds of sales) \$401m (To fund new supply and capital upgrades)	Capital upgrades (eg new kitchens, bathrooms, roofs) \$155m
COVID Economic Stimulus + NHHA Funding \$149m (NHHA – National Housing and Homelessness Agreement)	Paying DCJ for Managing Tenancies in LAHC-owned Homes \$106m
DCJ – Reimbursement for Headleasing Homes from the Private Rental Market \$44m	Loan and Interest Repayments \$99m
Other \$ 70m (water charges, interest, management fees)	Headleasing Homes from the Private Rental Market \$68m
	Council & Water Rates \$223m
	Operating Expenses (staff, offices etc) \$192m
	New Homes \$337

Source: LAHC Proposed Business Plan – figures are at 29 June 2021



Social housing rents are charged at between 25% and 30% of household income and most tenants are older, past working age, live alone and 93% rely on the age, disability or some other pension for income. As households get smaller the rents paid also decrease (due to changing family formation trends and as older household members pass away).

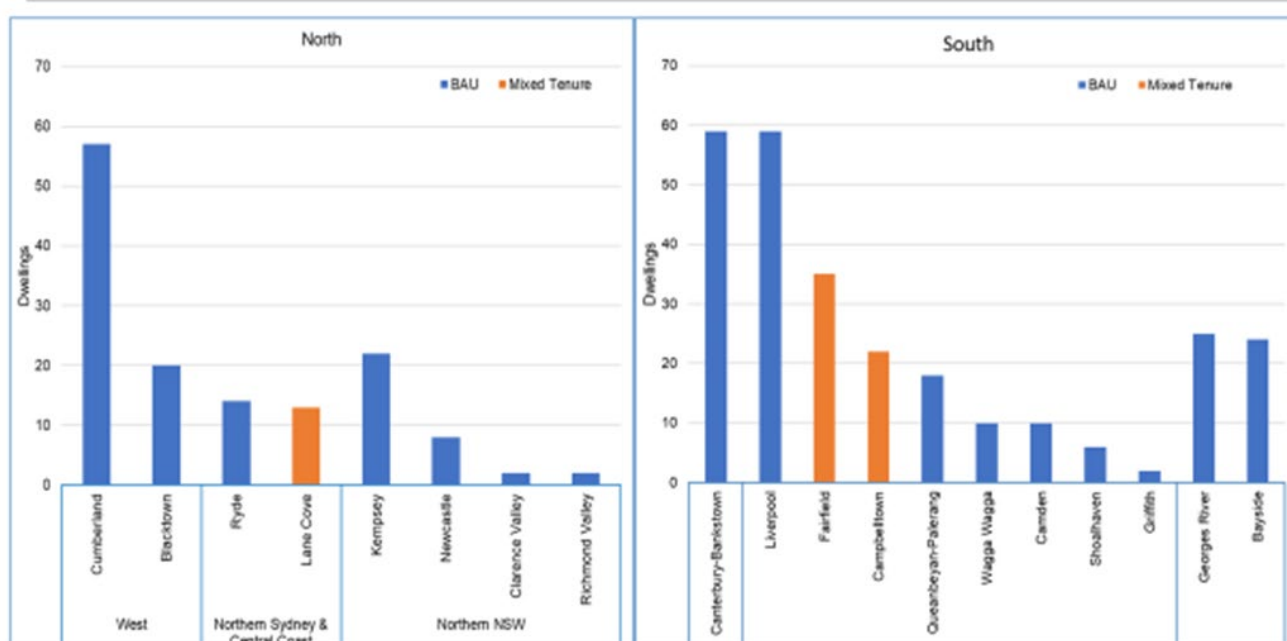
The combination of very low household income and mostly small sized households (around 60%) who live alone further constrains rental revenues as many people live in older and larger homes where benchmark market rents are relatively higher and the buildings being larger, carry higher costs. Because funding for new supply is constrained, LAHC has a mismatch of properties to need with more than 15,000 homes under-occupied by two or more bedrooms meaning a single person or couple could be occupying a three bedroom home.¹

The gap between rents collected and market rents for LAHC's social homes for FY2019-20 was approximately 62% of market rent, which equates to LAHC providing an indirect subsidy for social housing of about \$1.15 billion. LAHC does not receive any direct funding to provide this subsidy. In effect, the subsidy is funded from asset sales to meet the costs of capital maintenance and the continual prioritisation of maintenance services.

¹ Households permitted by policy to have an extra bedroom, including Aboriginal households, are excluded from this count.

NEW HOMES DELIVERED BY LAHC

New homes delivered in 2020-21 by Local Government Area



LAHC PORTFOLIO STRATEGY

The LAHC Portfolio Strategy outlines the vision and priorities to grow and change LAHC's portfolio to house more people and families in better quality modern homes and improve LAHC's financial sustainability as a self-funded housing provider. The Portfolio Strategy sets out what LAHC will do to change, do more of, less of, and do differently. It focuses on four key areas:

Focus Area	Strategies
Funding	<ul style="list-style-type: none"> Developing a funded ten-year housing target and a pipeline of new homes. Generating alternate funding to accelerate new social housing by: <ul style="list-style-type: none"> Increasing our broker role in developing new homes Developing new financing partnerships Building market/private homes to rent or sell to fund more new social housing.
Flexibility	<ul style="list-style-type: none"> Improving the flexibility of our portfolio so it better meets demand and is easier to manage, including: <ul style="list-style-type: none"> Having fewer homes on super lots and estates Building more homes with 1 or 2 bedrooms for seniors, and with better design and accessibility Building more medium density housing such as terraces, town houses, manor houses, dual occupancies, and villas Reducing the average age of our portfolio and increasing the volume of fit-for-purpose homes to improve capacity to better manage under-occupancy and over-crowding.
Partnership	<ul style="list-style-type: none"> Working more with industry stakeholders to deliver more cost effective and efficient homes and generate more jobs and opportunities. <ul style="list-style-type: none"> Partnering more with the Aboriginal Housing Office (AHO) and the community housing sector – so collectively we can better meet current and future housing demand. Leverage and make best use of our land, the homes on our land and other government land.
Decisions	<ul style="list-style-type: none"> Improving our decision making by using local area strategies and portfolio analysis to inform our decisions and in assessing the impacts of decisions on portfolio value.

To support the effective implementation of the Portfolio Strategy, LAHC has developed several policies, frameworks and agreements in the past 12 months including:

- The [CHP-led Redevelopment on LAHC-owned Land Policy](https://www.dpie.nsw.gov.au/land-and-housing-corporation/plans-and-policies/chp-led-redevelopment-on-lahc-owned-land),¹ which has been developed to allow for direct approach proposals from Community Housing Providers and Aboriginal Community Housing Providers that lease LAHC-owned properties and are seeking to redevelop the government owned property at their cost in exchange for long term lease.
- The [Policy for CHP Small Scale Direct Dealing](https://www.dpie.nsw.gov.au/land-and-housing-corporation/plans-and-policies/policy-for-chp-small-scale-direct-dealing),² which provides a streamlined approach so that small scale proposals involving land and property can be sought and/or considered more efficiently and at a reduced cost for both government and the community housing sectors.
- The *Tenant Purchase of LAHC Social Homes Policy*,³ which governs and promotes the purchase of LAHC's social homes when they are no longer required in the portfolio in order

¹ <https://www.dpie.nsw.gov.au/land-and-housing-corporation/plans-and-policies/chp-led-redevelopment-on-lahc-owned-land>, released October 2020

² <https://www.dpie.nsw.gov.au/land-and-housing-corporation/plans-and-policies/policy-for-chp-small-scale-direct-dealing>, released December 2020

³ For release in August 2021

to encourage home ownership, housing independence and positive exits from social housing.

- A \$100 million a year new *Partnership Agreement for Tenancy Management Services* with DCJ for the period 1 April 2021 to 30 June 2023, which focuses on improving tenant-related and asset-related outcomes for LAHC.
- The [LAHC Strategic Tenant Relocations Policy](#),⁴ which provides guidance and support in the way we successfully plan and implement strategic relocations to ensure there is a balance between tenant needs and interests. This policy will support tenancy managers to plan ahead when re-housing tenants with a particular property or property modification needs.
- The refreshed [Disposal of LAHC Properties Policy](#),⁵ which aims to ensure property disposal occurs in line with legislation and LAHC strategic objectives.
- The *Strategic Sales Framework*⁶ which supports right-sizing the LAHC portfolio by guiding development of sales programs for properties that have been assessed as not fit for modern use as social housing, not in the best interests of tenants, having limited strategic value to the portfolio or the social housing system, having high maintenance costs that make them no longer financially sustainable and isolated sites that if sold could support nearby strategic acquisitions.

⁴ <https://www.dpie.nsw.gov.au/land-and-housing-corporation/plans-and-policies/lahc-strategic-tenant-relocations-policy>, released December 2020

⁵ <https://www.dpie.nsw.gov.au/land-and-housing-corporation/plans-and-policies/disposal-of-lahc-properties-policy>, released July 2020

⁶ For release in 2021

LAHC STIMULUS FUNDING HIGHLIGHTS

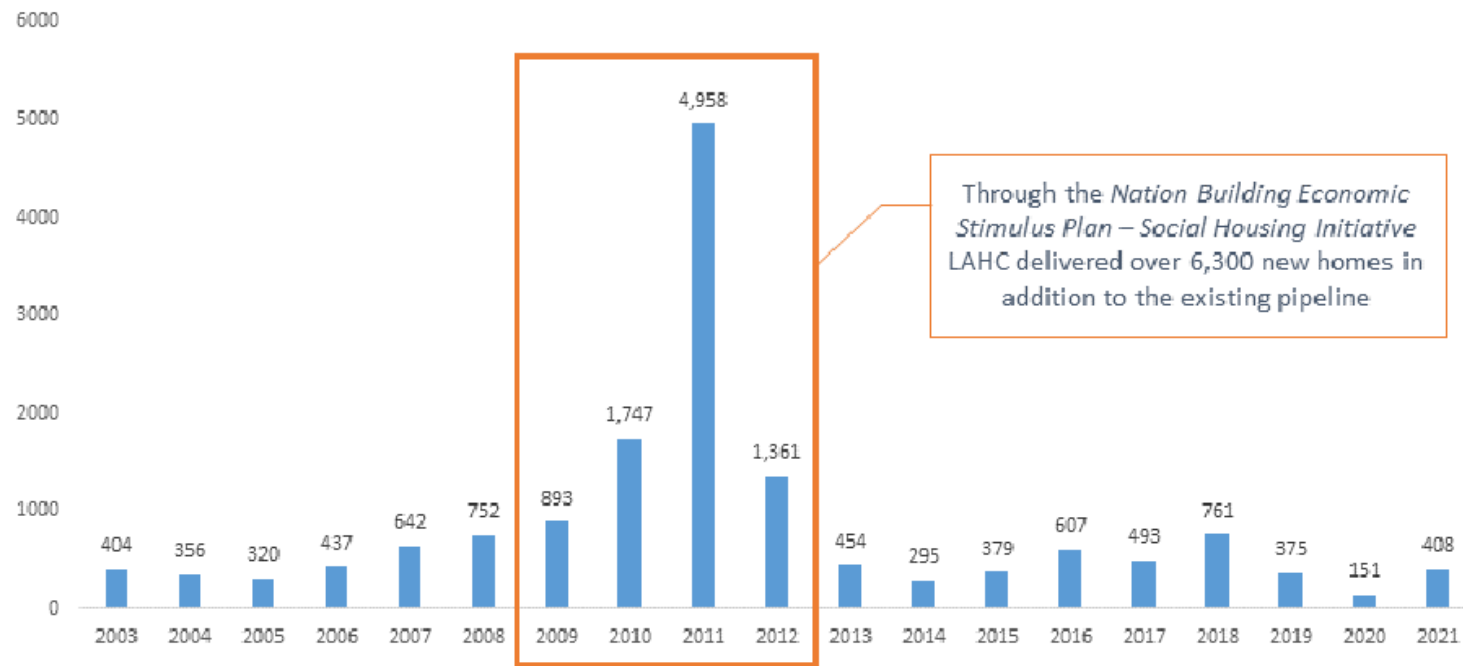
Highlights as at June 2021¹ include:

Initiative	Progress as at June 2021	
	Projects	New homes, maintenance & jobs
\$250m construction program to accelerate building around 600 new social homes	<ul style="list-style-type: none"> - 19 projects completed - 22 projects underway 	<ul style="list-style-type: none"> - 229 new social homes completed - 288 new social homes underway
\$150m to fast track renewal projects in Airds-Bradbury and Claymore to create 589 new social homes and 1,522 new residential lots for private sale	<ul style="list-style-type: none"> - Accelerated completion of Claymore by mid-2028 (5 years earlier) and Airds Bradbury by late-2026 (2 years earlier). 	<ul style="list-style-type: none"> - 277 new social homes completed - 300 direct and 450 indirect jobs created
\$160m LAHC Maintenance Program for capital upgrades and significant maintenance to LAHC-owned social homes	<ul style="list-style-type: none"> - Maintenance to extend the life of assets, make homes more sustainable, help reduce energy costs for tenants, and improve tenant health and wellbeing. - Over 40% of projects are in regional NSW. 	<ul style="list-style-type: none"> - \$70M invested in 2020-21 to time and budget - Works completed or underway on around 5,000 properties - On track to have committed remaining \$90M by February 2022 to have fully invested all stimulus funds - Will support over 2,000 jobs mostly in the building and construction sector
\$40m CHP Maintenance Program for capital upgrades and significant maintenance to LAHC-owned social homes managed by CHPs	<ul style="list-style-type: none"> - 31 CHPs delivered capital maintenance across LAHC homes they manage. - Equitable access to support for CHPs, with a focus on distribution across metro and non-metro properties. 	<ul style="list-style-type: none"> - CHPs have acquitted \$41.6M in capital works across 2,000 homes, including new bathrooms, kitchens, roofs and painting
Enhanced cleaning for about 2,600 social housing complexes and high rise homes	<ul style="list-style-type: none"> - Comprehensive cleaning of shared spaces in social housing properties to help stop the spread of COVID-19. - Hand sanitiser stations installed and replenished in all high rises and buildings with lifts. 	<ul style="list-style-type: none"> - 2,600 social homes and complexes including high rise buildings cleaned more frequently - Over 400 cleaners employed/redeployed
\$80m Apprenticeship and Cadetship Program, and LAHC-	<ul style="list-style-type: none"> - 300 immediate jobs connected to training delivered in 	<ul style="list-style-type: none"> - 22 cadets employed by 17 CHPs (including 1 Aboriginal CHP) - 121 apprentices and trainees

¹ A selection of before and after projects LAHC has delivered with stimulus funding is provided at **Appendix A**.

Initiative	Progress as at June 2021	
	Projects	New homes, maintenance & jobs
TAFE Pre-Apprenticeship Program	partnership with peak industry bodies (CHIA, MBA and HIA).	- Pre-apprentices will deliver about 100 new social homes for LAHC

NSW Land and Housing Corporation – Social Housing Dwelling Completions



When capital funding is made available, the social housing sector has the capacity and capability to deliver more homes

Source for dwelling completions: Historical annual reports from HousingNSW and LAHC Finance

Source for NBESP numbers: KPMG (2012) *Social Housing Initiative Review*, Report for the Housing Ministers' Advisory Committee