

INQUIRY INTO HOMELESSNESS AND LOW COST RENTAL ACCOMMODATION

Housing NSW

Response to Questions on Notice

PART ONE: QUESTIONS TAKEN ON NOTICE AT THE APPEARANCE

To provide the Committee with further information on the Centre for Affordable Housing's role in administering the National Rental Affordability Scheme and the Housing Affordability Fund.

Housing NSW, through the Centre for Affordable Housing, administers the National Rental Affordability Scheme and the Housing Affordability Fund on behalf of the NSW Government. Final allocation of funding on both schemes is made by the Australian Government, taking into consideration assessment and advice provided by the NSW Government.

National Rental Affordability Scheme

The National Rental Affordability Scheme (NRAS) aims to assist low to moderate income households by increasing the supply of affordable rental housing. An overview of NRAS is provided in the NSW Government's submission to this Inquiry. As part of the NRAS process, assessments of applications received through a tender process are made by both the NSW and Australian Governments. The Australian Government undertakes an initial assessment to determine whether the applications meet eligibility requirements. Qualifying applications are then sent to States and Territories for assessment and advice.

In NSW, the Centre for Affordable Housing within Housing NSW assesses the applications against the Australian and NSW Governments' criteria. This involves assessing locational suitability (access to public transport, services and employment), appropriateness of dwellings for specific target groups, project feasibility and financial viability including risk assessment, value for money, and experience and capacity to undertake the project. The Centre for Affordable Housing uses an expert panel to provide assistance in assessing the applications. The panel has both Government representatives and independent experts in property development and finance. In NRAS Call One, 41 projects were approved in NSW delivering an additional 1074 new affordable rental dwellings. Under NRAS Call Two applications for over 7,000 dwellings in NSW have been received. This call is still under assessment.

The Housing Affordability Fund

The Housing Affordability Fund (HAF) was announced by the Prime Minister and Australian Government Minister for Housing in September 2008, and is a \$500 million fund provided nationally over 5 years to increase the supply of affordable housing. The HAF is intended to address two significant barriers to increasing the supply of affordable housing:

- the 'holding' costs incurred by developers as a result of long planning and approval times; and
- infrastructure costs, such as the laying of water pipes, sewerage, transport, and the creation of community facilities.

The HAF provides up-front capital funding to provide infrastructure (which may be linked to housing or connecting infrastructure, or broader community infrastructure), undertake reforms (including adoption of best practice models), or a combination of both. In turn, the recipient must demonstrate how savings of at least the same value are passed on to the end purchaser in the form of more affordable housing. Only Government agencies (State/Territory and Local Councils) are eligible to apply for HAF funding. Private sector organisations can apply in partnership with Government agencies.

The allocation of HAF funding is on a competitive basis between States and Territories. Assessment is undertaken through a two stage process, involving an expression of interest process and then provision of a more detailed business case for selected preferred applicants. The final allocation is made by the Australian Government after consideration of advice from States and Territories. In Round One, the coordination of NSW proposals (including assessment of applications) was undertaken by the Department of Premier and Cabinet in close consultation with Housing NSW (Centre for Affordable Housing), NSW Treasury and the Department of Planning. The Australian Government recommended six applications for funding from NSW for up to \$20 million. For Round Two, which is yet to be announced, Housing NSW (through the Centre for Affordable Housing) will assume lead responsibility for coordinating NSW proposals and will chair a panel of representatives from the Department of Premier and Cabinet, Treasury and the Department of Planning to assess applications. This will ensure full advantage is taken of the opportunities for linkages between the HAF and other affordable housing initiatives.

To provide the Committee with the business plan and/or funding agreement, including performance indicators, for the Centre for Affordable Housing, when it was established.

Funding Agreement

Attached is a copy of the funding agreement signed when the former Affordable Housing Advisory Service was transferred to Housing NSW (Land and Housing Corporation) on 1 July 2002. The funding agreement identified a number of project outputs for the newly created Centre for Affordable Housing to deliver. A description of how these were met is provided in the following table.

| ACHIEVEMENT OF JULY 2002 FUNDING AGREEMENT OUTPUTS | | | |
|--|------------------------------|---|---|
| OUTPUT | ESTIMATED EXPENDITURE | ESTIMATED TIMEFRAME | ACHIEVEMENT |
| Develop new demonstration delivery models for the provision of targeted affordable private rental housing (20 units) | \$6.4 million | Completion within 24 months of the release of the initial payment for each delivery model | <p>A review of progress in December 2003 identified:</p> <p>Four demonstration projects were delivered. These projects were designed to demonstrate to local councils and non-government providers that small scale affordable rental housing can be financially sustainable and not require ongoing operational subsidies, with surpluses generated being available to apply to additional new affordable housing projects. Community housing providers provide property and tenancy management for all of the projects.</p> <p>The projects also demonstrated different rent setting and lease policies departing from the Department's standard income based rent and continuous lease settings by incorporating a discounted market based rent and fixed term leases of up to five years.</p> |

| | | | |
|---|---------------|--|---|
| | | | <p>The Inner West Demonstration Projects were targeted to very low and low income tenants. Properties were spot purchased using Rental Bond Board funds.</p> <ul style="list-style-type: none"> • The project at Marrickville comprised six affordable rental dwellings. The property was acquired in July 2003 and upgraded for tenanting by November 2003. • The project at Canterbury comprised six dwellings. The property was acquired in October 2003 and upgraded for tenanting by December 2003. <p>The Thornleigh Key Worker Demonstration Project comprised six affordable housing units as part of a mixed social and affordable housing project built on Department of Housing land utilising Rental Bond Board funds. Construction was completed in March 2004. The housing was available to key workers in employment and earning low and moderate incomes at a discount to market rent.</p> <p>The Liverpool Demonstration Project comprised construction of six affordable housing units as part of a mixed social and affordable housing project. Construction was completed in July 2004. The dwellings were offered to very low and low income workers at a discount to market rent. The project demonstrates a model where the income from low income workers cross-subsidises the cost of renting to very low income households.</p> |
| Expand an existing successful delivery model for affordable private rental housing for purchase of a site capable of delivering at least 10 units | \$1.4 million | Purchase of land completed within 12 months of release of funds | Funding was provided to City West Housing Company to purchase land in Green Square for the development of 16 private rental units. This capital was combined with developer levies for affordable housing collected under the then South Sydney City Council's Green Square Local Environmental Plan (LEP). |
| Continue operation of the Affordable Housing Advisory Service | \$1.4 million | To be established in the Department of Housing from 1 July 2002 | The functions of the Affordable Housing Advisory Service were transferred to the Centre for Affordable Housing which was established in the Department of Housing in July 2002. |
| Provide seed funding to initiate project feasibility for any new projects or potential models identified through the service | \$0.8 million | All funds to be expended within 24 months of release Completion of funded projects will depend on the nature of projects identified | <p>\$665,000 was allocated to Mission Australia for their Campbell House redevelopment - a mixed development including affordable housing dwellings with transitional support for people leaving crisis housing.</p> <p>A Group Self Build Program was designed to fund projects which utilised sweat equity to overcome the deposit gap for eligible participating households. A project in Hume which delivered 13 dwellings was funded following an Expressions Of Interest process.</p> <p>A business case was developed for the Debt/Equity Project, and work commenced on exploring mechanisms to protect investment while providing for community housing association debt.</p> <p>Development of a strategy and possible financing models for the ADI site commenced.</p> |

Number of affordable housing dwellings delivered

To date, the Centre for Affordable Housing has generated commitments to 2,029 units of affordable housing. On average, an additional 290 affordable housing dwellings have been committed to each year. (This figure excludes the commitment for a further 1,851 new units under NRAS Round Two for which applications are still being assessed.) At the end of July 2009, 545 units of affordable housing had been completed.

| CENTRE FOR AFFORDABLE HOUSING | | |
|---|------------------------|--|
| Number of Affordable Housing Units Committed and Completed 2002-2009 | | |
| PROGRAM | UNITS COMMITTED | UNITS COMPLETED AT 31 JULY 2009 |
| Debt Equity 1 | 40 | 12 |
| Debt Equity 2 | 47 | 28 |
| Affordable Housing Innovations Fund 07-08 | 94 | 71 |
| NRAS A - Call One | 175 | 58 |
| NRAS B - Call One | 787 | 264 |
| NRAS B - Early Call Two | 122 | 0 |
| NRAS B - First Batch Call Two* | 0 | 0 |
| Social Housing Growth Fund 1 | 194 | 78 |
| Social Housing Growth Fund 2 | 287 | 0 |
| St Marys Stage 1 | 100 | 1 |
| St Marys Stage 2 | 80 | 0 |
| Rouse Hill | 50 | 0 |
| Demonstration Projects | 24 | 24 |
| Mission | 9 | 9 |
| Sydney Olympic Park | 20 | 0 |
| Total | 2029 | 545 |

* Under NRAS Call Two the NSW Government has committed funds for up to a further 1851 new units, subject to approval of applications. Assessment of applications is underway.

Other Key Milestones for the Centre for Affordable Housing 2002-2009

An overview of key milestones for the Centre for Affordable Housing over the last seven years follows.

Provision of best practice information and tools

- Oct 2002 Development of Affordable Housing Fact Sheets
- Oct 2004 Launch of the Centre for Affordable Housing's website
- Apr 2007 Launch of the Local Government Housing Kit – the kit provides information and data to assist local councils to identify and meet local housing needs.
- Apr 2009 Launch of the National Best Practice Guide and Toolkit for Affordable Housing (prepared jointly by State and Territory Housing and Planning Departments, led by the Centre for Affordable Housing) - this resource looks at how the planning system can be used to facilitate the provision of affordable housing, provides national and international examples, and illustrates which policy levers work best in which housing market.

Projects/partnerships to deliver affordable housing

- 2003 Funding provided to Mission Australia as part of the redevelopment of Campbell House to provide nine affordable rental dwellings.
- Oct 2005 Request to act on behalf of the Planning Minister to negotiate and develop the Housing Strategy for the St Marys ADI site for 150 affordable housing dwellings.
- Jun 2006 St Marys Rental Bond Board Funding Agreement executed to provide \$9.8 million plus GST for construction of up to 70 dwellings at St Marys.
- Mar 2007 Request to act on behalf of the Planning Minister to negotiate and develop the Housing Strategy for the Rouse Hill Site for 50 affordable housing dwellings.
- Mar 2009 Appointment of a community housing provider, BlueCHP, to deliver the affordable housing on the St Marys site.
- Apr 2009 Announcement of the Glebe Partnership Project with Sydney City Council to redevelop an existing Housing NSW site and Sydney City Council site to provide a mixed development containing social, affordable and private dwellings.
- Jul 2009 Launch of the Affordable Rental Housing State Environmental Planning Policy (SEPP) – these planning reforms were jointly developed by Housing NSW (Centre for Affordable Housing) and the Department of Planning to facilitate the provision of affordable housing. The SEPP provides development concessions and incentives for affordable forms of housing including boarding houses and residential flat buildings which provide affordable rental housing for income eligible households and are managed by community housing providers.

Finance and Delivery Models

- 2003 Establishment of the Group Self Build Program which provided grant funds to projects which utilised sweat equity to overcome the deposit gap for eligible participating households. 13 dwellings were provided under the program, which has now ceased.
- Nov 2004 Opening of Debt/Equity Program – this program provides up to 60% of the total project cost to develop affordable housing and requires the community housing provider to provide 40% of the cost as debt and equity funding.
The Debt/Equity Program rounds one (\$3 million) and two (\$6.4 million) delivered 85 new dwellings for a total of \$9.4 million of Government funding at an average cost of \$110,000 per dwelling.
- March 2007 Launch of the Affordable Housing Innovations Fund – the fund included \$30 million of Rental Bond Board funding for affordable rental housing to be allocated through a tender process over 2 rounds utilising a debt/equity model. The first tranches of \$13.5 million gave rise to 94 dwellings at an average cost to Government of \$143,600 per dwelling. The remaining \$16.5 million was rolled into NRAS round 1.
- June 2008 Secured funding for NRAS Round One and Two – as part of NRAS Round One 1,074 new affordable rental dwellings will be delivered. Round One attracted \$200 million of private and community sector investment in addition to the \$64 million in Australian Government funding.

To provide the Committee with the Housing NSW Corporate Plan, and related performance measures for affordable housing and homelessness.

Housing NSW's Corporate Plan

A copy of Housing NSW's Corporate Plan 2007/08-2009/10 is attached. The Corporate Plan sets out the high level outcomes that Housing NSW will pursue to deliver on its purpose to *help build a stronger community by providing housing solutions for people in need.*

The Corporate Plan conceptualises Housing NSW's main client groups along a continuum of housing need, which includes:

- people who are homeless;
- people who are moving in and out of homelessness;
- low income households with complex needs;
- low income households without complex needs; and
- moderate income households facing housing affordability pressures.

The Corporate Plan sets out Housing NSW's six major outcomes. The first four outcomes align with the continuum of housing need. The fifth and sixth outcomes reflect the way in which Housing NSW operates.

1. Homeless people have access to housing and are able to sustain a tenancy.
2. Appropriate and sustainable social housing.
3. Integration of social housing in communities.
4. Access to affordable housing.
5. Quality customer service.
6. Sustainable business.

Key performance indicators for each of these outcomes have been developed. The performance indicators in relation to homelessness and affordable housing are as follows.

- Outcome 1: Homeless people have access to housing and are able to sustain a tenancy:
 - Number of households receiving temporary assistance who transition to long term accommodation.
 - Reduction in the number of households experiencing repeat homelessness.
- Outcome 4: Access to affordable housing:
 - Short term*
 - Affordable housing projects delivered successfully.
 - Incremental increase in the number of affordable housing units delivered.
 - Specific government policies adopted and implemented to increase the supply of affordable housing.
 - Public funds applied to affordable housing have been effectively leveraged:
 - Medium term*
 - Increased investment in affordable housing by private sector and non-government organisations.
 - Long term*
 - Significant increase in number of affordable housing units delivered.

- Decline in proportion of households paying more than 30% of gross household income in housing costs.

National Performance Reporting Framework

A new National Performance Reporting Framework is being developed under the Intergovernmental Agreement on Federal Financial Relations, agreed by all jurisdictions through the Council of Australian Governments (COAG). The National Performance Reporting Framework is focused on high-level performance measures in National Agreements (including the National Affordable Housing Agreement) and National Partnerships that support National Agreement objectives. Under the new reporting framework, the COAG Reform Council will report annually to COAG on performance data, along with a comparative analysis of jurisdictions' performance. These reports will be made public.

Performance indicators relating to homelessness and housing affordability under the National Affordable Housing Agreement include the following:

Homelessness

- Proportion of Australians who are homeless.
- Proportion of people experiencing repeat periods of homelessness.

Affordable housing

- Proportion of low income households in rental stress.
- Proportion of homes sold or built that are affordable by low and moderate income households.
- Supply meeting underlying demand for housing (actual performance indicator yet to be developed – this will be informed by the work of the National Housing Supply Council.)

The National Partnership Agreement on Homelessness includes additional performance indicators and performance benchmarks in relation to homelessness. These include:

- a 7% decrease in the number of Australians who are homeless by 2013;
- a third reduction in the number of Indigenous people who are homeless by 2013;
- a 25% decrease in the number of Australians who are sleeping rough;
- a 25% reduction in the proportion of people experiencing repeat periods of homelessness (three repeat periods at an emergency service within three months);
- reductions in the number of people exiting care and custodial settings into homelessness, and the number of people exiting social housing and private rental into homelessness; and
- improvements in outcomes for specific client groups experiencing or at risk of homelessness, including increases in the number of young people who are re-engaged with family, school and work, and in the number of families who receive financial advice, counselling and/or case management.

As advised in the Housing NSW and Department of Planning response to Questions on Notice arising from the Committee's 7 April 2009 hearing, the NSW Implementation Plan for the National Partnership Agreement on Homelessness and the NSW Homelessness Action Plan includes a focus on improving data, research and the evidence base to support improved responses to homelessness.

NSW Homelessness Action Plan

The NSW Homelessness Action Plan 2009 - 2014 *A Way Home: Reducing Homelessness in NSW* was launched on 2 August 2009. A copy of the Action Plan is attached. The Action Plan outlines three strategic directions for reducing homelessness in NSW:

- Preventing homelessness: to ensure that people never become homeless.
- Responding effectively to homelessness: to ensure that people who are homeless receive effective responses so that they do not become entrenched in the system.
- Breaking the cycle: to ensure that people who have been homeless do not become homeless again.

The Action Plan sets headline targets to reduce the overall level of homelessness in NSW by 7% by 2013, to reduce the number of people sleeping rough in NSW by 25% by 2013, and to reduce by one third the number of Aboriginal people who are homeless in NSW by 2013. The Action Plan also sets out indicators and specific performance measures (see page 22-23 of the attached Action Plan).

Whether the 30% contribution from the community housing growth provider for the St Marys Project refers to 30% of construction costs or 30% of land and construction costs.

The Housing NSW and Department of Planning response to Questions on Notice arising from the Committee's 7 April 2009 hearing advised that 3% of residential lots at the St Marys Redevelopment will be provided for the purpose of affordable housing. The lots are to be transferred to Housing NSW at the time of title registration and, in turn, Housing NSW will transfer the lots to a selected community housing growth provider to develop and then manage affordable rental dwellings on the lots. In addition, Housing NSW will provide part funding to the selected community housing growth provider for the construction of affordable rental dwellings for the first stage of the project - the Affordable Housing Innovations Fund (AHIF) includes \$10.4 million (including GST) that was set aside for this purpose.

The tender requirements for the selection of a community housing growth provider included that:

- the first stage of the project deliver a minimum of 75 affordable dwellings (including one dwelling already completed on the first lot transferred earlier);
- the NSW Government contribution of both the land and AHIF funding for construction be no more than 70% of the total project cost; and
- the community housing growth provider's contribution be at least 30% of the total project cost (land and construction).

Under the terms agreed to in the appointment of BlueCHP as the successful community housing growth provider, more favourable outcomes than the minimum levels prescribed in the tender are to be realised. These include that:

- more than 100 affordable housing dwellings are to be delivered in Stage One;
- the NSW Government contribution of both the land (valued at \$15.3 million) and \$8 million (excluding GST) of the AHIF funding for construction will represent only approximately 58% of the total project cost; and
- BlueCHP's debt and equity contributions of some \$17.2 million will represent approximately 42% of the total project cost (land and construction).

To provide the Committee with a list of schemes levying developers to provide affordable housing, in Australia and internationally, and the percentages applied.

- Indicate what percentages are typical, and mitigating circumstances where percentages differ (eg. SA).
- Include information on how percentages have been derived for schemes in NSW.

A definition of inclusionary zoning and an overview of the advantages and disadvantages of this policy lever were provided in the Housing NSW and Department of Planning Response to Questions on Notice arising from the Committee's 7 April 2009 hearing.

Some Australian and international examples of inclusionary zoning are provided below. There is no typical levy rate as schemes vary in their application. For example, some schemes have rates of affordable housing provision at 10% or greater, but these include a density bonus either incorporated at the time of rezoning or as part of development approval which offsets the cost of the provision to the developer. Other schemes may require 15% or greater contribution but the dwellings are made available for sale at a price specified as affordable to a moderate income earner. In other schemes, the planning system is used to require developers to provide a specified proportion of affordable housing – which may be as high as 25% or greater. However, the actual percentage achieved is negotiated on a site by site basis between the local planning authority and the developer and is influenced by other planning requirements and the viability of the development. In addition, the provision of affordable housing to meet the requirements set may rely on the use of Government subsidies or grants.

Inclusionary zoning in NSW

As outlined in the Housing NSW and Department of Planning Response to Questions on Notice arising from the Committee's 7 April 2009 hearing, a legislative scheme for inclusionary zoning is provided in the *Environmental Planning and Assessment Act 1979*. State Environmental Planning Policy (SEPP) 70: *Affordable Housing* authorises affordable housing contributions schemes in Green Square, Ultimo-Pyrmont and Willoughby. Provision for inclusionary zoning is also made in the *Redfern Waterloo Authority Act 2004*. Four inclusionary zoning schemes are in force in NSW.

- The City West Affordable Housing Program (Sydney Regional Environmental Plan (SREP) 26 and SEPP 70) requires a contribution equivalent in value to 0.8% of residential floorspace and 1.1% of non-residential floorspace of development in the Ultimo-Pyrmont Precinct.
- The Green Square Affordable Housing Development Control Plan (South Sydney Local Environmental Plan (LEP) 1998 and SEPP 70) requires a contribution equivalent in value to 3.0% of residential floorspace and 1.0% of non-residential floorspace of development in the Green Square area.
- The Willoughby Local Housing Program (Willoughby LEP 1995 and SEPP 70) requires a contribution equivalent in value to 4.0% of the total floorspace of development within defined precincts of the Willoughby local government area.
- The Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 (Redfern Waterloo Authority Act) requires a contribution equivalent in value to 1.25% of the total floorspace of development in the Redfern Waterloo Authority Operational Area within the City of Sydney.

Under these schemes, affordable housing contributions may be made through dedication of land and dwellings or as a cash payment in lieu. To date, most developers have elected to provide the cash in lieu option. The funds collected or dwellings provided are given to not for

profit providers to manage as affordable rental housing for low to moderate income earners in perpetuity.

Other examples of planning measures used in NSW to deliver affordable housing are provided on page 20, including density bonuses and voluntary planning agreements.

The percentages for affordable housing contributions vary for each of the schemes in NSW. In part, this is because the levies struck may have a different impact according to whether they are applied to industrial, commercial or residential development, or to green field or urban infill projects. Levies may also have a different impact depending on the nature of the housing markets they are applied in - in particular, the relative land and housing demand and supply elasticities of housing markets, which impact on whether land-owners, developers or buyers ultimately bear the cost of the levy. Where levies are applied at the same time as land is re-zoned, the increase in land value that may arise from re-zoning may also form part of the consideration. The percentages set also need to take account of the surrounding environment, including whether there is already a concentration of social or affordable housing.

For example, the affordable housing contribution in Ultimo-Pyrmont aimed to both mitigate against the loss of existing low cost stock that might otherwise occur as the area was redeveloped and to ensure that a reasonable proportion of affordable housing would be available for low to moderate income workers located close to areas of employment. The percentage determined aimed to balance:

- the need to maintain and increase the amount and proportion of affordable housing available as the area was redeveloped and housing densities increased; and
- the impact the affordable housing levy would have on increasing the cost of development.

The amount of affordable housing to be provided in Ultimo-Pyrmont was targeted at 6-7% of the new estimated housing supply after redevelopment. This increased to 8-10% when combined with the new public housing proposed for the area. This equated to 600 dwellings being provided for affordable rental housing over the 30 year redevelopment period (1992-2022). To determine the levy rate, the floor space equivalent to the 600 dwellings (assuming an average size of 100m²) was distributed over the total estimated floor space (residential and non-residential) anticipated to be developed. Approximately 480 units would be derived from a levy on commercial development and approximately 120 through a levy on residential development. This equated to 0.8% of residential floor space and 1.1% of non-residential floor space.

As mentioned above, developers could provide this floor space through dedication of affordable housing units or through an equivalent in lieu payment. In Ultimo-Pyrmont, the equivalent in lieu payment per metre square was calculated based on the total cost for the 600 dwellings (using a typical two bedroom unit and an average per metre square build cost indexed over time) divided by the per metre square total floor area.

A similar approach was applied at Green Square. This was largely an obsolete industrial area which sought to include an appropriate proportion of affordable housing to ensure that low to moderate income households could live in Green Square, contributing to social diversity and housing choice. The Green Square area is located near to some concentrations of public housing. At Green Square, 3% of the proposed total 11,000 residential dwellings (360 dwellings) were to be provided as affordable housing through a levy on 3% of total residential floor area and 1% of non-residential floor area developed.

Green Square illustrated the potential cost that a 3% affordable housing levy could add to the other dwellings in a development. At the time of the scheme's introduction this equated to \$6,600 per two bedroom unit (assuming an average unit size of 100m² and a development cost per unit of \$220,000). At a 5% levy this would have equated to \$11,000 per two bedroom dwelling, and at a 15% levy this would have equated to \$33,000 per two bedroom dwelling.

It does not necessarily follow, however, that this full cost is passed forward in the price of housing. Depending on the market and other circumstances the affordable housing levy costs may be absorbed in the following ways:

- passed back partially or fully in the form of a lower price paid for the land to reflect the requirement to contribute part of the land as affordable housing;
- passed forward partially or fully by increasing the cost of the dwellings not part of the affordable housing contribution;
- absorbed through greater production efficiencies (as may occur when associated with a density bonus, better use of land, or smaller dwellings); or
- absorbed through a reduction in profit margins.

Other Australian examples

The South Australian Housing Plan adopted a requirement for all new significant developments to include at least 15% affordable housing, including 5% for high needs tenants. Density bonuses may also be provided for sites where the levy is applied. Significant developments include all Government owned land releases as well as private land subject to rezoning or identified as a major development. The affordable housing must be sold at a fixed price considered affordable to households earning up to 120% of metro and regional median household incomes (adjusted for housing size). Eligible buyers register with Housing SA and must pass income eligibility and asset tests. The housing must be made available exclusively to these households for a period of 30-90 days. After this time, if there is no interest by eligible buyers, the home is able to be sold on the open market.

The following schemes are driven by adopted policies around land supply targets, rather than legislated inclusionary zoning schemes:

- In Victoria, VicUrban (the equivalent of NSW's Landcom) ensures 5% of sales are offered to non-government organisations, and 40% of lots and 25% of house and land are to be sold in the lowest quartile of house prices.
- In Western Australia, the Department of Housing reserves either one in nine or one in twelve lots in joint ventures for social housing. In addition, the East Perth Redevelopment Authority delivers 10%-15% of all new housing as affordable housing including social housing.
- In the Australian Capital Territory, the Land Development Authority requires 15% of all new land released to include affordable house and land packages within the \$200,000 to \$300,000 price range.

International Examples

Following are some international examples of the use of inclusionary zoning¹. A number of examples have also been provided in the NSW Government submission to this Inquiry.

¹ These examples have been sourced from 'New directions in planning for affordable housing: Australian and international evidence and implications' by Nicole Gurrán, Vivienne Milligan, Douglas Baker, Laura Beth Bugg and Sharon Christensen, Australian Housing and Urban Research Institute (AHURI), June 2008

- In the United States, where inclusionary zoning is used widely, targets of 10-15% affordable housing inclusion are usually supported by the availability of planning bonuses (such as density increases) or concessions (such as reduced fees). Many state and local jurisdictions also dedicate their own resources or public land to support low income housing programs. Mandatory inclusionary requirements in the United States are also made more feasible by the existence of Federal and State tax incentives designed to stimulate development of housing for low income households (such as the Low Income Housing Tax Credit program).
 - San Francisco has a long established inclusionary zoning scheme by which 15% of development above ten units is to be provided as affordable housing, (20% if provided off site). From 2001 to 2005 this has resulted in 625 units of affordable housing.
 - The City of Boston introduced an 'inclusionary development' policy in 2000. The City initially required developers of 10 units or more of market-rate housing to set aside 10% for affordable housing. In 2004, the inclusionary development requirement was increased to 15% of market-rate units for new development. To date, the policy has resulted in the creation of more than 709 units. The City's policy is to have the units created on-site whenever possible, but in exceptional cases developers may make cash contributions instead. These in-lieu funds are combined with community development grants, Government funds and other fees, which are then made available to affordable housing developers through a competitive process. The cash-in-lieu option has raised more than \$10 million toward the production of new affordable housing since 2000.
 - As at 2005, Montgomery County, Maryland, had built over 11,000 affordable housing units in the more than 30 years that the Moderately Priced Dwelling Unit Program had been in place. The program applies to developments of 50 units or more and requires that 12-15% of dwellings be affordable. Rental units are regulated for 20 years, while units for sale are regulated for ten years. In return, developers receive a density bonus calculated on a sliding scale up to a maximum of 22%.
- In July 2007 Metro Vancouver (Canada) put forward a Draft Regional Affordable Housing Strategy, which includes a goal to "increase the supply and diversity of modest cost housing". The strategy seeks to do this primarily by requiring member municipalities to establish affordable housing targets through increased density in appropriate areas, smaller lot sizes, allowances for secondary suites, the adoption of inclusionary zoning or density bonuses, reduced parking requirements for affordable homes and rental housing, and the identification of government properties that could be developed or leased at below-market rates.
- The Mayor of London (England) has wide jurisdiction over subsidiary local authority units, known as the London Boroughs. The London Plan establishes the legal and policy framework for planning and development across the Boroughs. In 2004, the London Plan introduced a target for 50% of new housing across the region to be affordable. This percentage may be made up of grant funded community housing, negotiated affordable housing, or affordable for sale product. Of this, 70% should be social housing and 30% 'intermediate' housing, where a Housing Association maintains an equity share of housing purchased by households on moderate incomes. The plan stipulates that affordable housing requirements be applied to sites with 15 or more residential units, although there are proposals to reduce the threshold in London to ten units, reflecting the limited availability of larger sites. The preference is for on site affordable housing contributions but in exceptional cases the Borough and developer negotiate an off site or cash-in-lieu contribution.

PART TWO: FURTHER QUESTIONS RECEIVED FROM THE COMMITTEE

The Government submission (p22) recognises there is a need for more rental accommodation for low to moderate income earners, and the need for the NSW Government to support an expanded role for the community housing sector in the provision of affordable housing for these low to moderate households.

- How can Housing NSW increase their role in the provision of affordable long-term housing for low to moderate income earners while at the same time cater for the needs of very low income earners with high needs?
- Current tenants in community housing must also qualify for public housing, that is they are very low income earners. Does the government intend to expand the eligibility for community housing so that low to moderate income earners also qualify? Why, why not?

As outlined on page 6, Housing NSW is committed to providing a range of responses across the continuum of housing need. This includes low income households with complex needs, and also low and moderate income households facing affordability pressures. Strategies and initiatives have been developed that aim to ensure that social housing continues to be provided to those households who are most in need, while affordable housing is also developed as part of the Government's response to the broader housing affordability problems experienced by low and moderate income households in the private market.

Growth in the provision of affordable housing by the community housing sector will not result in lower levels of social housing for public housing eligible households. Rather, growth in the provision of affordable housing will result in additional housing options being available for low and moderate income households. It should also be noted that the new investment from the Australian Government through the Nation Building Economic Stimulus Plan, the National Partnership Agreement on Social Housing, and the National Partnership Agreement on Remote Indigenous Housing will increase the overall stock of social housing for public housing eligible households in NSW. The Nation Building Economic Stimulus Plan will result in 6,500 new social housing dwellings in NSW. A further 600 dwellings will be provided under the Social Housing National Partnership Agreement, which establishes a Social Housing Growth Fund.

The NSW Government is supporting the community housing sector to both:

- increase the supply of social housing under community housing management that is for public housing eligible households; and
- increase the supply of affordable housing delivered by community housing providers for low and moderate income households (which includes public housing eligible households).

Public housing in NSW is targeted to people on low (including very low) incomes who need support services to help them live independently, and households on low incomes who have problems finding affordable housing in the private market that is suited to their needs. Housing NSW provides direct assistance to community housing providers to provide housing to public housing eligible households, primarily through the lease of a Government owned property at a sub-market rent or through direct funding to head-lease properties from the private sector. Social housing for public housing eligible households will continue to be provided by the community housing sector under these existing arrangements – as well as under a new form of contract in relation to the recent NSW Government decision to transfer title to up to 7,000 properties to the community housing sector.

Key initiatives to increase the supply of social housing for public housing eligible households under community housing management include transfers of existing public housing stock to the sector for management, and the allocation of new social housing supply to the sector.

- The majority of new social housing supply funded through the Nation Building Economic Stimulus Plan will be allocated to community housing ownership.
- Up to \$130 million is being invested through the Social Housing Growth Fund Expressions of Interest process to community housing providers to directly procure new social housing.
- Over 2,500 public housing properties have been transferred to community housing management in the last five years, with a target to transfer more than 3,000 properties in the next two years.

Affordable housing is targeted to households on very low, low, and moderate incomes. As such, the target group for affordable housing is broader than that for social housing. However, there is overlap in these target groups as the target group for affordable housing includes households who would meet the eligibility criteria for social housing. Community housing providers are required to allocate affordable housing to households on a range of very low, low and moderate incomes, balancing the needs of households in housing stress with the requirement to generate sufficient income to meet finance and other operating costs.

The NSW Government provides direct assistance to community housing providers to provide housing to public housing eligible households, including through lease of Government-owned properties at a sub-market rent, transfer of title to properties, or funding to head-lease properties from the private sector. By comparison, the funding and contributions for affordable housing come from a wider range of sources which include community housing providers' own equity, debt finance from the private sector, planning contributions and/or a part funding grant or subsidy from Government/s. The NSW Government submission to this Inquiry provided an overview of the range of affordable housing projects and initiatives in place which are based on partnerships between Governments, community housing providers, developers, and private financial institutions.

Importantly, this focus on partnerships in the delivery of affordable housing is about developing innovative funding models that are not entirely reliant on ongoing NSW Government funding and subsidies. In particular, the plan for the community housing sector is that through capacity building, improved viability, and growth the sector will be positioned to leverage on its funding, rental revenue and assets to grow the supply of affordable housing beyond the Government's contributions. In this way, NSW Government funding for the direct provision of housing can continue to be directed primarily to social housing for public housing eligible households, while a broader affordable housing sector develops with lower levels of direct NSW Government contributions.

Key strategies to increase the supply of affordable housing by the community housing sector include:

- ensuring community housing providers have a steady and predictable income stream, through the community housing rent reforms;
- increasing Government and private investor confidence in the sector, including through the new statutory regulatory system;
- giving providers an asset base against which they can borrow, through the recent NSW Government decision to transfer title to up to 7,000 social housing properties to the sector; and

- injecting funding into the sector which is combined with resource allocation schemes that aim to attract leverage, so that providers borrow from the private sector to invest in affordable housing, such as the Affordable Housing Innovations Fund.

Further information on these initiatives is provided on pages 16 to 17.

What are the criteria for a tenancy within one of the new NRAS funded properties? Are they to be the same as the current public/community housing criteria?

The Australian Government has defined the following income eligibility criteria (gross incomes) for tenants of National Rental Affordability Scheme (NRAS) funded properties:

- Single person with no children - \$40,501.
- Couple, couple with one child or sole parent with one child - \$55,991.
- Couple or sole parent with 2 children - \$69,423.
- Couple or sole parent with 3 or more children - \$82,855.

To maintain eligibility as a tenant under NRAS, the tenant's income can increase above the initial income limits by 25%. A tenant ceases to be eligible when income exceeds the upper income limit in two consecutive years.

The NRAS income eligibility criteria are higher than the social housing income eligibility criteria in NSW. For example, the social housing income eligibility limit for a single adult is \$24,000 per annum compared to \$40,501 under NRAS. These different income limits reflect the different target groups. As outlined above, the target group for affordable housing is broader than that for social housing.

In NSW, community housing providers managing NRAS properties must also meet the NSW Government's Interim Affordable Housing Guidelines which require community housing providers to allocate affordable housing to households on a range of very low, low and moderate incomes. It is expected that a number of NRAS properties in NSW will be rented to households who would otherwise be eligible for public housing. Based on a review of NRAS Round One successful applications, it is expected that 35% of dwellings will be targeted to low and very low income households who may qualify for public housing.

The Committee has visited City West Housing and found it to be a successful organisation that is well able to meet the needs of its tenants. Part of its success and sustainability relates to the housing of people from a variety of income levels.

- **What support does Housing NSW give to City West Housing?**

The City West Housing Company is a not-for-profit organisation overseen by an independent, expertise-based Board. City West was established to operate largely independently of Government. At its start-up, City West received a \$50 million Australian Government grant under the Better Cities Program, and a portion of revenue from NSW Government land sales in Ultimo-Pyrmont. City West continues to receive income from developer levies applied through the planning system for the provision of affordable housing in Ultimo-Pyrmont and Green Square. To date, the NSW Government has contributed over \$21 million to City West.

Housing NSW's involvement with City West includes the following.

- Housing NSW is the delegate of City West's two preference shareholders and, as such, has a role in supporting the strategic direction of the organisation through reviewing and recommending approval of City West's business plan by shareholders.
- City West has received temporary registration as a community housing provider, which enables City West to access Government support provided through Housing NSW, including funding for affordable housing.
- City West has been successful in being funded under the National Rental Affordability Scheme (NRAS) for a 57 unit development in Zetland. Housing NSW will provide the NSW Government contribution to this project to City West, which is a total of approximately \$1.14 million over ten years.

In May 2004 the Government responded to the recommendations of a previous inquiry by this Committee into Community Housing. The Government acknowledged that to promote sustainability in the sector there is a need for private sector funding of community housing and the need for incentives to encourage investment.

- **Can you please update the Committee on progress in implementing this recommendation?**

As outlined to the Committee at the hearing on 30 June 2009, three key initiatives have been put in place in NSW to date to improve the sustainability of the community housing sector and position the sector to attract private sector investment to increase the supply of affordable housing. These include:

- community housing rent reforms, which have provided a steady and predictable stream of income;
- the introduction of a new regulatory system for community housing providers, to ensure Government and private investor confidence in the sector; and
- the decision to transfer up to 7,000 social housing properties to community housing ownership, to provide an asset base against which community housing providers can borrow.

As outlined in the NSW Government submission to this Inquiry and the Housing NSW and Department of Planning response to Questions on Notice arising from the Committee's 7 April 2009 hearing, the community housing rent reforms aim to maximise the rental income available to community housing providers. The reforms include treating Commonwealth Rent Assistance (CRA) as a rental supplement, rather than general household income, and increasing the proportion of Family Tax Benefit payments included in a household's rent to 15% (the same rate as for public housing). The reforms are being phased in to cushion the impact on tenants. Approximately \$23 million per year in additional revenue will be generated when the changes are fully operational, the majority of which is expected to come from additional CRA payments by the Australian Government. The rent reforms provide additional revenue for community housing providers to meet operational costs and will allow for surplus funds to be invested in more housing.

The statutory regulatory system under the *Housing Act 2001* was introduced on 1 May 2009. Details of the new regulatory system were outlined in the NSW Government submission to this Inquiry and the Housing NSW and Department of Planning response to Questions on Notice arising from the Committee's 7 April 2009 hearing. All organisations that receive assistance from Housing NSW to provide community housing are now required to be registered in accordance with the Act. Organisations that currently receive assistance have up to 30 April

2011 to become registered. The regulatory system is designed to provide confidence to Government and private sector investors in the regulatory standards for the community housing sector through the establishment of a consistent and independent regulatory regime. Financial institutions have indicated that statutory regulation will provide them with increased confidence that community housing providers are viable, well governed and managed organisations. This increased confidence is necessary to facilitate banks and other financial institutions lending to providers to fund the procurement of more housing.

On 25 June 2009, the NSW Government announced that up to 7,000 social housing properties will be transferred to community housing ownership by the end of June 2012. Details of this initiative were outlined to the Committee at the hearing on 30 June 2009. The stock to be transferred includes a proportion of stock currently under community housing management and the majority of new properties built under the Nation Building Economic Stimulus Plan. While these properties will continue to be reserved for public housing eligible households (just as they would be under traditional community housing management arrangements), the transfer of title to the properties will provide an asset base for community housing providers to secure private sector finance to purchase or develop affordable housing. The current leasing arrangements and lack of balance sheet of providers was identified as a key barrier to the capacity of community housing providers to leverage additional funds.

Together, these reforms aim to position community housing providers to bring their own contributions to affordable housing, particularly by attracting private sector investment. The benefits of these changes are already starting to be realised, with community housing providers accessing higher levels of private investment.

The level of private investment in the delivery of affordable housing has also increased as a result of injections of funding in the sector combined with resource allocation processes that prioritise funding bids based on the degree of leverage that providers deliver. The NSW Government submission outlined the Affordable Housing Innovations Fund and the National Rental Affordability Scheme (NRAS), both of which have been successful in attracting significant levels of non-government investment². For example, under the first round of NRAS A³ for registered community housing providers 175 new affordable housing dwellings will be delivered through a combination of NSW Government funding, the Australian Government's incentive of \$6,000 per annum over ten years, and contributions from the private and community sectors. Acting alone the Government would have been able to deliver only 61 properties. The break-up of financing of the 175 dwellings is as follows.

- NSW Government contribution - \$17.3 million.
- Australian Government contribution - \$10.5 million.
- Equity from Community Housing Providers - \$9.5 million.
- Debt finance from Community Housing Providers - \$36.1 million.

Another example of success in leveraging Government investment is the Social Housing Growth Fund, under the National Partnership Agreement on Social Housing. This fund is administered by the Centre for Affordable Housing. As mentioned on page 14, in NSW up to \$130 million is being invested through an Expressions of Interest (Eoi) process to community

² Both the Affordable Housing Innovations Fund and the financing model for NRAS A have been developed and are administered by the Centre for Affordable Housing.

³ The NSW Government contribution to NRAS Round 1 (Establishment Phase) is provided in two forms. NRAS A is for not-for-profit registered community housing providers. Under NRAS A, registered community housing providers are able to access funding from the Affordable Housing Innovations Fund (AHIF) in combination with the NRAS incentive. AHIF funding involves an upfront contribution of up to 40% of the capital costs of the project. NRAS B is for all eligible organisations. Under NRAS B, the NSW Government is offering a payment of \$2,000 per year.

housing providers to directly procure new social housing. While the Government funding on offer is for social housing (for public housing eligible households), the EoI process gave preference to providers who developed proposals involving additional debt and equity contributions to provide affordable housing for low and moderate income households. Significant leverage has been achieved. In Round 1 of the Fund, leveraging of funding from other non-government and private sector sources as equity and debt contributions will increase the number of dwellings able to be provided by 26%, or an additional 79 dwellings. In Round 2 of the Fund, leveraging will increase the number of dwellings able to be provided by 39%, or an additional 134 dwellings.

In addition to increasing the supply of affordable housing, an advantage of this approach is that it will also result in a greater level of income mix among tenants in the new housing sites.

The Committee has heard from various housing providers that the Nation Building Economic Stimulus Plan (NBESP), in particular the National Rental Affordability Scheme (NRAS), is just what they need e.g. St George Community Housing, Community Housing Canberra.

- **What steps, if any, has Housing NSW taken to ensure that a similar initiative is in place within NSW following the conclusion of this time limited initiative?**
- **Do you think that NRAS should be 'tweaked' to best suit the circumstances in NSW? If so, how?**
- **What proportion of each property developed under NRAS will be required to house high priority public housing tenants?**

Nation Building Economic Stimulus Plan

As advised in the Housing NSW and Department of Planning response to Questions on Notice arising from the Committee's 7 April 2009 hearing, in February 2009 the Australian Government announced the Nation Building Economic Stimulus Plan in response to the current global financial crisis. \$6.4 billion in new funding for social housing has been made available to States and Territories from 2008-09 to 2011-12 under the plan for the construction of around 20,000 social housing units nationally, as well as repairs and maintenance to existing public housing dwellings.

The Nation Building Economic Stimulus Plan provides a one-off injection of Australian Government funding into the social housing sector. NSW is expected to receive around \$2 billion under the plan over the period 2008-09 to 2012-13.

- The Nation Building Economic Stimulus Plan will see repairs and maintenance work undertaken on over 30,000 public housing dwellings, in addition to NSW's previously planned maintenance program. This includes major repairs to over 7,800 public housing dwellings.
- The Nation Building Economic Stimulus Plan will result in 6,500 new social housing dwellings in NSW. Community housing providers will own and manage the majority of these properties.

Nation Building Economic Stimulus Plan properties will house public housing eligible households. As such, this housing will be provided to those most in need, including families with very low incomes and those at risk of homelessness.

The National Rental Affordability Scheme does not form part of the Nation Building Economic Stimulus Plan.

National Rental Affordability Scheme

As outlined in the NSW Government submission to this Inquiry, the National Rental Affordability Scheme (NRAS) aims to assist low to moderate income households by increasing the supply of affordable rental housing. The incentive provided through the scheme comprises a \$6,000 per annum Australian Government contribution in the form of a tax offset or grant, and a State/Territory Government contribution of at least \$2,000 per annum in the form of financial and/or in kind support. The incentive is provided annually for ten years on the condition that the dwelling is rented to eligible low and moderate income households for at least 20% below market rates.

The NSW Government has agreed to support NRAS in its establishment phase, and will consider further funding for the scheme's expansion phase following review of the success of the scheme in delivering new supply in NSW. The NSW Government contribution is provided in two forms. Under NRAS A for not-for-profit registered community housing providers, providers are able to access funding from the Affordable Housing Innovations Fund (AHIF) in combination with the NRAS incentive. AHIF funding involves an upfront contribution of up to 40% of the capital costs of the project. Under NRAS B, for all eligible organisations, the NSW Government provides a payment of \$2,000 per year. The NSW Government has committed \$33 million for NRAS A and B in Call One. This has attracted a further \$200 million from the private and non government sectors. A further \$52 million has been committed for NRAS B in Call Two.

Under the first round of NRAS, Housing NSW targeted additional funding to community housing providers to enable them to retain in perpetuity properties they purchase and develop under NRAS. As a result, over 40% of the properties delivered under NRAS Call One in NSW will be retained as affordable rental housing in perpetuity. Providers will also be able to leverage against these assets to provide further affordable rental housing.

Proportion of NRAS properties required to house high priority public housing tenants

Organisations funded under NRAS are not required to house public housing tenants or applicants. However, the Australian Government has encouraged providers to target tenant groups with special needs, such as Indigenous households, older persons and people with a disability. As a result, many organisations funded under NRAS will allocate a proportion of their stock to these groups.

In NSW community housing providers managing NRAS properties must also meet the NSW Government's Affordable Housing Guidelines which require community housing providers to allocate affordable housing to households on a range of very low, low and moderate incomes. It is expected that a number of NRAS properties in NSW will be rented to households who would otherwise be eligible for public housing.

Need for changes to NRAS

Housing NSW has commissioned a post-implementation review of NRAS Calls One and Two in NSW. This review will identify any issues related to the design of NRAS that should be addressed to improve its effectiveness in attracting investment into affordable rental housing in NSW.

Steps taken to ensure a similar initiative is in place at the conclusion of NRAS

As mentioned above, the NSW Government has committed to support NRAS in its establishment phase. It is expected that the Housing NSW post-implementation review of NRAS Calls One and Two in NSW will inform any future Government decisions on NRAS or other similar schemes.

What policy initiatives, if any, are in place or being developed, to assist affordable housing providers to access land.

There are a number of examples of the land use planning system being used to assist affordable housing provision, which are outlined in the NSW Government submission to this Inquiry and the Housing NSW and Department of Planning response to Questions on Notice arising from the Committee's 7 April 2009 hearing. These include the following:

- As outlined on page 9, four inclusionary zoning schemes are in force in NSW, at Ultimo-Pyrmont, Green Square, Willoughby, and Redfern-Waterloo.
- NSW has enabled local councils to negotiate Voluntary Planning Agreements with developers to encourage the provision of affordable housing. Voluntary Planning Agreements are negotiated after rezoning and may require a proportion of lots, dwellings or gross floor area developed to be dedicated to affordable housing.
 - Local councils that have used or are negotiating Voluntary Planning Agreements include Randwick, Penrith and Canada Bay.
- At the St Marys and Rouse Hill Developments, under negotiated planning agreements, the NSW Government has secured 3% of lots developed for use for development of affordable housing.
- The Sydney Olympic Park Authority Master Plan (2002) has made contribution of affordable housing a condition of development for residential use.
- Waverley Council's Affordable Housing Program offers density bonuses to private developers in exchange for providing affordable housing for local households on low to moderate incomes in private residential developments.

Under the National Affordable Housing Agreement and associated National Partnership Agreements, States and Territories have agreed to a number of specific reforms and outcomes including:

- improving the supply of land for new dwellings identified through audits of Commonwealth, State and Territory surplus land;
- better use of Government owned land to provide more affordable housing opportunities for low income earners; and
- addressing supply shortfalls including through the possible creation of supply targets for States and Territories based on work of the National Housing Supply Council, through City Wide Planning Authorities and/or State planning mechanisms.

Housing Ministers will work jointly with Planning Ministers to identify options to deliver these outcomes.

Under the Partnership Agreement with the Commonwealth and NRAS the waiting lists for public and community housing are to be centralised.

- **Does Housing NSW see any advantage in the centralisation of waiting lists for all social housing?**
- **Why, why not?**
- **What will be the implication for people on Housing NSW waiting lists?**

Under the Nation Building Economic Stimulus Plan, jurisdictions have committed to the integration of public and community housing waiting lists. There is no requirement under the National Rental Affordability Scheme to integrate waiting lists.

There are significant advantages to a centralised waiting list. In particular, for vulnerable clients a centralised waiting list should make accessing social housing simpler. The current arrangements were predicated on Housing NSW being the predominant provider. Movement towards a multi-provider system, through the growing role of the community housing sector, has resulted in public and community housing providers of social housing duplicating efforts to receive applications, undertake needs assessments and maintain separate waiting lists. This has resulted in access becoming unnecessarily difficult for clients.

Under current access arrangements, an unreasonable level of knowledge and effort is required from clients. Vulnerable clients have to find providers that may be able to help them, contact each provider, and separately complete an application form for each provider. They must participate in an assessment with each provider and then maintain contact with each of them while waiting for assistance.

Housing NSW has been working with the community housing sector to develop a strategy for creating a social housing common access system in NSW. The strategy will tackle the linked problems of disconnection and duplication within the social housing service delivery system. The common access system aims to simplify access to assistance for clients.

The proposed model would involve applicants completing a single application form. Approved applicants would then be placed on a single waiting list, which would be used by both public and community housing providers. A single waiting list will make it easier and fairer for applicants to access housing assistance from social housing providers, regardless of whether the provider is part of the public or community housing sector.

Were there any initiatives in this year's budget that will assist the provision of social housing? If so, please outline.

Housing NSW received \$2.599 billion in the NSW Government's 2009/10 Budget. This includes \$199.1 million from the NSW Government and \$1.746 billion from the Australian Government under the National Affordable Housing Agreement, the Social Housing National Partnership, the Nation Building Economic Stimulus Plan, and the *A Place to Call Home* initiative. Funding is also expected in 2009/10 under the National Partnerships on Homelessness and Remote Indigenous Housing. A copy of the Housing NSW Budget Commentary is attached.

The NSW Government's 2009/10 Budget marks the commencement of significant growth in the NSW social housing sector. Over the next three years, an estimated 9,500 social housing dwellings will be delivered in NSW at a cost of around \$3 billion, through partnerships with the Australian Government and ongoing programs. In 2009/10 856 new social housing dwellings under the Nation Building Economic Stimulus Plan will be completed, and 75% of the entire program is to be completed by December 2010.

The NSW Government's 2009/10 Budget will also assist the provision of social housing in a number of other ways.

- Around 300,000 people will live in government-subsidised housing managed by public, community and Aboriginal housing providers in 2009/10.
- During the year, 70% of the social housing portfolio will receive either responsive or planned maintenance works as needed.
- The budget also continues expenditure on existing programs and initiatives, including the Building Stronger Communities initiative which is renewing social housing in seven priority locations across NSW, and other social housing redevelopments.

- Importantly, the NSW Government's 2009/10 Budget will assist in implementing reforms to the social housing sector, including the integration of public and community housing waiting lists, more contestability and increased supply to create a larger and more diversified sector.

What effect do you think that a legislated regulatory system would have on development of the affordable housing sector?

As advised in the NSW Government submission to this Inquiry and the Housing NSW and Department of Planning response to Questions on Notice arising from the Committee's 7 April 2009 hearing, a statutory registration and regulation system under the *Housing Act 2001* was introduced on 1 May 2009. Organisations that receive assistance from Housing NSW to provide social housing and affordable housing are required to be registered as community housing providers in accordance with the provisions of the Act. Organisations that currently receive assistance will have up to 30 April 2011 to become registered under the new system.

The new statutory regulatory system provides a strong foundation for a sustainable community housing sector. The statutory regulatory system will ensure that all providers of government-funded social and affordable housing are appropriately regulated to provide high quality housing services for tenants and applicants. The statutory regulatory system aims to support the NSW Government's strategy to grow the community housing sector to deliver more affordable housing.

The regulatory system is tiered to ensure that a diverse range of community housing providers can be registered and that the level of regulation is commensurate with the risks associated with different types of business activity. Community housing providers that are involved in development and borrowing funds from the private sector will be subject to the highest level of regulatory engagement. As mentioned above, financial institutions have indicated that statutory regulation will facilitate increased private sector investment as it will provide greater confidence that community housing providers are viable, properly governed and well managed organisations. This has been demonstrated in England, where the statutory regulatory system has supported the leverage of £35 billion of investment by contributing to a climate of lender confidence where loan interest rates offered to affordable housing providers are lower than those available to the private sector development industry.

It has been suggested that a co-ordinated framework for policy setting, funding, regulation and capacity building within the affordable housing sector would assist the achievements of the not-for-profit sector in providing affordable housing.

- **What is your opinion, is this necessary?**
- **Why, why not?**
- **Who is the most viable co-ordinator?**

The NSW Government outlined a clear vision and strong, coherent framework for the growth of the community housing sector in *Planning for the Future: new directions for community housing in NSW 2007/8 – 2012/13*, which was released in December 2007. This strategic policy framework has since guided other developments and reforms in funding, regulation and capacity building - including the community housing rent reforms, the introduction of the statutory regulatory system, and the decision to transfer title to up to 7,000 properties to the sector.

As outlined in the NSW Government submission to this Inquiry, *Planning for the Future* sets a target to grow the community housing sector to 30,000 homes over ten years, and outlines the Government's plans to support an expanded role for the sector in the provision of affordable housing for low to moderate income households. *Planning for the Future* outlines how the Government will assist in strengthening the sector's skills, infrastructure and service delivery to better equip the sector to take up this challenge. *Planning for the Future* commits to a range of actions across five themes: growth, diverse and flexible responses, stronger communities, capacity and confidence, and viability and sustainability. Key features include:

- sustainable business and subsidy models for all providers;
- networks of providers in each region offering a range of housing services;
- encouraging providers to leverage government funding to increase the amount of housing produced, including partnerships with the private sector to fund more housing;
- the growth of a number of larger providers, with the capacity to undertake their own housing development activities, and some consolidation of the sector;
- involvement of some providers in the delivery of a broader range of services, including services to private renters and home ownership schemes; and
- a continuing focus on the responsiveness of the sector to tenants' needs.

Housing NSW has a coordinating role in terms of funding, assistance and supporting capacity building within the community housing sector in NSW, and is well-placed to continue in this role. The Registrar of Community Housing is responsible for the regulation of providers that receive assistance from Housing NSW to provide community housing (including affordable housing).

As outlined in the NSW Government submission to this Inquiry, Housing NSW is also developing a sector-wide NSW Community Housing Industry Development Framework. The Framework will identify priorities, responsibilities and resourcing, and outline a three year strategy for implementing industry development initiatives across the sector. The Framework will encompass a range of initiatives, including:

- a mentoring program supporting capacity building in housing development and procurement;
- the development of a capacity assessment matrix, in partnership with the NSW Federation of Housing Associations, for use by providers to identify capacity gaps for their organisations and strategies to respond to those gaps; and
- the implementation of shared service pilots that enable backroom services and functions to be shared between providers to deliver operational efficiencies.