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**Inquiry into homelessness and low-cost rental accommodation:  
supplement to submission**

I refer to your letter of 15 April 2009, in which you asked for responses to questions on notice related to this organization's appearance at a public hearing of the Committee's Inquiry into Homelessness and Low-cost Rental Accommodation.

Our responses are provided below.

Sincerely

A handwritten signature in black ink that reads "Mary Perkins".

Mary Perkins  
Executive Officer

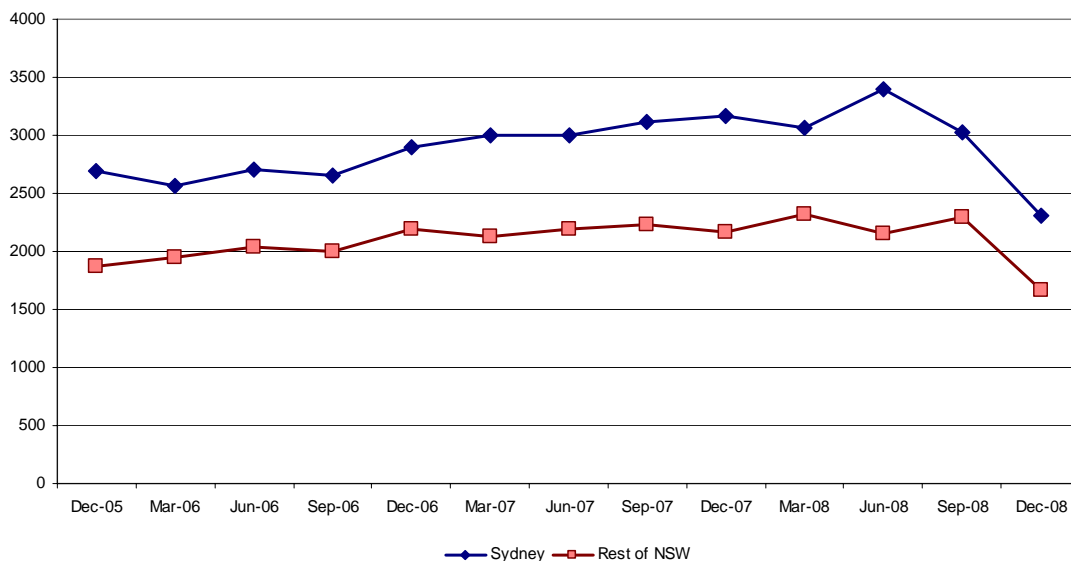
# Inquiry into homelessness and low-cost rental accommodation: supplement to submission

Extra questions taken on notice – hearing Tuesday 7 April 2009:  
responses from Shelter NSW

1. How has the current economic climate affected the social housing market, both on the side of demand and supply?

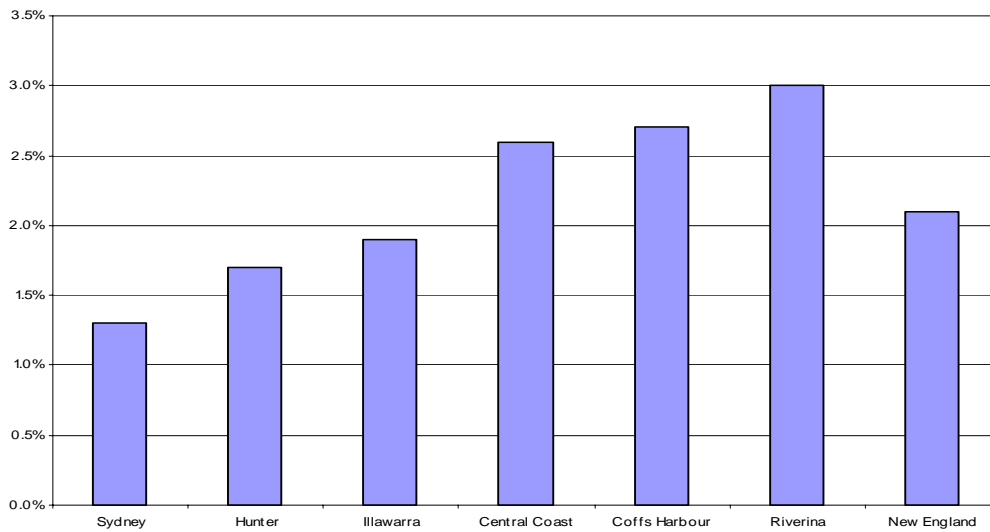
We are not aware of any specific studies of the impact of the global recession on demand for social housing in New South Wales. The global recession (which we might pinpoint as having begun late 2008) caused many national governments to take remedial or preventative actions to bolden confidence in their economies; this included Australia. Monetary and fiscal policies at the national sphere have had a clear impact on the private housing market, as can be seen in the drop in monthly loan repayments by mortgagees for median-priced dwellings, from mid 2008: see Figure 1 (data for borrowers from Commonwealth Bank, data from *Affordability Report* published by the Housing Industry Association of Australia and the Commonwealth Bank).

Figure 1: Monthly loan repayments for median-priced dwellings, NSW



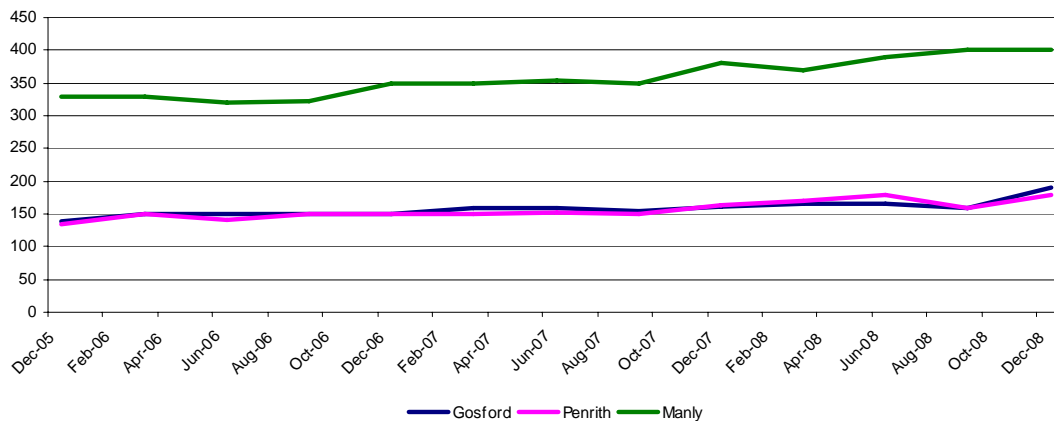
Households eligible for social housing are likely to be affected by vacancy rate in the private rental housing market, since this not only indicates a supply shortage but a driver for price inflation in this submarket (i.e. rent increases). See Figure 2 (data from Real Estate Institute of NSW media release, 1 April 2009). Not unexpectedly, vacancy rates are very low in Sydney and the other two metropolitan centres, the Illawarra and Hunter; but this is the case in most regional areas of the state, too.

Figure 2: Private rental vacancy rates in a sample of NSW regions



Data available at the moment does not indicate a dramatic rise in rents in the private rental market. However, the median amount for rents on new tenancies for 1-bedroom flats shows a marked rise in some local government areas between the October and December quarters 2008, as can be seen in Figure 3 (data from Housing NSW's *Rent and Sales Report*).

Figure 3: Median rents for new tenancies for 1-bedroom flat in three Sydney local government areas



Commonwealth and state governments have included stimulation of housing construction and other building work (e.g. repairs and maintenance) as part of the suite of measures available to remediate and mitigate the effects of the global recession. The Commonwealth's 'Nationbuilding and jobs plan', announced in February, includes two initiatives to promote affordable housing: a capital contribution to Defence Housing Australia, and a Social Housing Initiative. The Social Housing Initiative involves a commitment of \$6 billion over 3½ years (from 2008-09 to 2011-12) for construction of new social housing and \$400 million over 2 years (from 2008-09 to 2009-10) for repairs and maintenance of existing public housing.

The allocation of these moneys in 2008-09 is \$200 million for repairs and maintenance of existing public housing and \$60 million for construction of new social housing.

The NSW government, and other state/territory governments, are cooperating with the Commonwealth. The NSW proportion of the Commonwealth commitment will be some \$2-3 billion and the NSW Government has contributed a further \$1 billion, with the aim of constructing 9,500 new social housing dwellings, 6,500 of which will be additional dwellings (an increase in the supply of social housing). The first stage of this initiative in New South Wales involves the construction of 851 new dwellings, at a cost of \$225 million, by July 2010. The second stage involved a call for tenders from private developers and builders, the closing date for which was April 9.

In short, the global economic recession has had a positive impact on the supply of social housing, since Commonwealth and state governments have taken actions to increase supply that they might not otherwise have done.

2. *What do you regard as the biggest barriers to:*
  - a. *growth in the number of low-cost rental accommodation properties*
  - b. *the speed of delivery of new low-cost rental properties*
  - c. *How can these be addressed?*

(a) We addressed this matter in our written submission to the Inquiry (5 March 2009), pages 11-12, and 15-19, and have no further information to provide.

(b) The pace at which new affordable rental housing can be provided to consumers depends on the ready availability of the forces of production, land, capital, and labor. The question goes to the heart of the housing industry's resources, capacity, and adaptability about which we have no information.

In addition, the pace depends – where a government role is required as provider or facilitator – on the extent of political (i.e. politicians/governments) and bureaucratic (i.e. public services) support for, opposition to, or indifference to affordable rental housing initiatives. The NSW state government has established a NSW Nationbuilding and Jobs Plan Taskforce, and Housing NSW has established a special-purpose Project Management Office of the Economic Stimulus Package to coordinate and manage the construction of the new social housing financed through the 'Nationbuilding and Jobs Plan': we take those actions as an indication that the NSW government has a commitment to delivering on the commitments to, and on the very tight timeframes set by, the Commonwealth government.

(c) We addressed matters relevant to question 2(a) in our written submission to the Inquiry (5 March 2009), pages 12-19, and have no further information to provide. In relation to question 2(b), we have no information to provide on how any barriers to speed of delivery of affordable rental housing by the private sector or Housing NSW or other social housing providers might be addressed.

3. Please comment on any models, from Australia or overseas, that you think the NSW Government may learn from.
  - a. Why do you think they may be appropriate to circumstances in Australia?

We addressed this matter in our written submission to the Inquiry (5 March 2009), pages 3-8, 11, 13-15, and 17-19, and have no further information to provide.

4. What governance structures do you see as important within the provision of social housing? What transparency and accountability mechanisms should be in place?

Social housing providers, and providers of affordable rental housing generally, may adopt a number of corporate models each with their specific governance structures. We have a range of these in New South Wales:

- o a public trading enterprise operating basically like a general government agency, i.e. Housing NSW (Land and Housing Corporation) and Teacher Housing Authority of NSW
- o a public trading enterprise constituted as a company 'arms-length' from government, i.e. City West Housing
- o nongovernment nonprofit organizations constituted as a company, e.g. Bridge Housing Limited, Affordable Community Housing Limited, Churches Community Housing Ltd, Mission Australia Housing, the Benevolent Society
- o nongovernment nonprofit organizations constituted as a cooperative, e.g. Kapitbahayan Cooperative
- o nongovernment nonprofit organizations constituted as an incorporated association, e.g. Community Restorative Centre

Differing structures have different merits depending on the scope and scale of the provider's operations, and there is no intrinsic merit in any. We note that those community housing organizations that are seeking to establish an enhanced role in property development are abandoning the cooperative legal model in favor of the company model (e.g. Bridge Housing Limited (ex South West Sydney Inner Housing Cooperative), Affordable Community Housing Limited (ex Cumberland Housing Cooperative), and the Association to Resource Cooperative Housing, itself established as a cooperative, is considering incorporation as a company). The key matter is whether the governance structure efficiently and effectively underpins the provider's core business. In this regard, the *Housing Regulation 2009* requires evidence of the following matters as constituting 'sound governance' for the purpose of a community-housing provider being registered under the *Housing Amendment (Community Housing Providers) Act 2007*:

- o The governing body should be effective and have a range of expertise that is sufficient for the scale and scope of the community housing provided.
- o The governing body should comply with legal and regulatory requirements, professional standards and guidelines relevant to its operations.
- o The governing body should undertake planning that adequately identifies the priorities and resources necessary to sustain the long-term delivery of community housing.

The *Housing Regulation 2009* does not provide for specific structures, but, rather, focus on performance indicators, and we agree with that approach.

For those nongovernment social housing providers that get assistance from the state government, the *Housing Amendment (Community Housing Providers) Act 2007* requires a regime of transparency and accountability, at sections 67E, 67F, and 67J. Since this Act has just been proclaimed (1 May 2009), and the performance-based registration system for community-housing providers it establishes has not yet been introduced or tried, we do not propose any other or further transparency or accountability mechanisms; rather, we think those established under the Act need to be tested and evaluated. The *Housing Regulation 2009* gives the Registrar of Community Housing a substantial amount of discretion in determining whether a community housing provider satisfies the performance-based criteria for registration under the Act; since those powers might be abused and since the Registrar reports only to the Minister for Housing, it will be important for the Parliament to monitor the operation of this Regulation.

In relation to those social housing provider entities that are owned by the state government, we believe there are sufficient transparency or accountability mechanisms, including accountability to a minister who in turn is responsible to the Parliament, oversight by the Legislative Assembly's Public Bodies Review Committee, oversight by the Legislative Council's General Purpose Standing Committees, and oversight by other government agencies like the Audit Office of NSW and the NSW Ombudsman.

5. *Affordable housing in Australia is related to a percentage of income spent on housing, usually 30%. The United Kingdom is working towards a fixed rental system where all tenants pay the same rent regardless of income and housing associations are paid a subsidy to make up the shortfall. How do you think a similar system would work here? What do you see as the pros and cons of such an arrangement?*

We currently have two basic models of rent-setting in social housing in New South Wales: an income-based approach, and a market-rent derived approach. Both are aimed at achieving or contributing to housing affordability outcome (i.e. prevention of housing stress or housing crisis) for tenants.

The income-based approach sets the rent charged as a proportion of the tenant's or household's gross income, with the proportion typically set at 25%; but it is set at 30% for moderate-income earners in public housing and City West Housing's housing. This approach is directly aimed at prevention of housing stress. In public housing the model is qualified for tenant households whose incomes is higher than a designated limit for eligibility of the subsidized rent, in which case they pay the market rent. With this approach, the market rent of the dwelling (and thus its location, type, size, etc.) is not a relevant factor in rent-setting for tenant households whose incomes are under designated eligibility limits: this is the case for 90% of public housing tenants.

The market-rent derived approach sets the rent charged as a proportion of the market rent of the dwelling, typically the median market rent for new tenancies as reported from time to time by Housing NSW in its *Rent and Sales Report*. Typical proportions are 80% or 75%. This approach is aimed at contributing to relief of

housing stress or housing crisis, but it does not guarantee a housing affordability outcome (defined as a household paying no more than 30% of its income on rent), in contrast to the income-based approach. This approach is typically used where the housing is targeted to the intermediate submarket rather than to very low-income tenants, or where the housing provider wishes to provide a shallower subsidy than mainstream social housing, or where – if the provider does not preclude low-income applicants from applying for a tenancy – the tenant is eligible for rent assistance from the Commonwealth government’s Centrelink agency. This approach is used in the National Rental Affordability Scheme and in a number of local government affordable housing schemes (e.g. Randwick, Waverley, Canada Bay). This approach cannot be used in public housing because public housing tenants are not eligible for Centrelink rent assistance. The combination of eligibility for Centrelink rent assistance with the sub-market rent make actual rents paid more affordable than they would otherwise be in the private market. An affordable rent can be achieved by setting the rent at 75% of market rent where the tenant is eligible for Centrelink rent assistance and has a threshold level of private income (Sean McNelis, D Hayward and H Bisset, *A private retail investment vehicle for the community housing sector*, Australian Housing and Urban Research Institute, 2002). It seems, then, that a key ‘con’ of such an approach is that it might not deliver affordability to very low-income tenants. The ‘pro’ of this approach is that it could promise affordability to low income tenants eligible for Centrelink rent assistance.

The previous discussion has focused on affordability, a key housing outcome from social housing for tenants. Also relevant to rent-setting approaches is the viability and sustainability of the social housing provider as a business and the contribution of rent-revenues for the business’s total revenue and trading result. That is, a rent-setting approach that provides a deeper rent subsidy to the tenant is likely to require an offsetting revenue contribution to the business from another source: in social housing, this typically takes the form of a subsidy to the social housing provider from government (e.g. the \$142 million (2008-09) given to community-housing providers by Housing NSW under the Community Housing Assistance Program). The Australian social housing system is distinctive in that rent-setting policies of both government and nongovernment social housing providers tend to manage the tension between the two functions of affordability and viability (Sean McNelis, *Rental systems in Australia and overseas*, Australian Housing and Urban Research Institute, 2006).

A key difference between the Australian system and those of some other countries, such as England and Scotland in Great Britain, is that the sphere of government responsible for social security does not take full responsibility for housing affordability through housing benefits. In Australia, where the Commonwealth government has the social security responsibility, the rental assistance payment (Centrelink rent assistance) is paid only to social security recipients (including some recipients of Family Tax Benefit), is not paid to public housing tenants (but to private renters, community housing tenants, and Indigenous housing tenants), does not aim to achieve housing affordability (only to contribute substantially to it), and takes the form of a capped and limited add-on to the income-support (pension/benefit) system like the pharmaceutical allowance, utilities allowance, and telephone allowance. The key responsibility for achieving affordability for tenants rests with the social housing

providers (community-housing providers, public housing agencies) through rent-setting. In Great Britain, the United Kingdom government has responsibility for social security (income support), and the housing benefit is paid to low-income private and social renters. This benefit is paid at a rate of 100% of the tenant's 'eligible rent' (defined as rent for the accommodation and charges for some common services in a residential building), though it might be paid at less than the accommodation rent (i.e. capped) if the local council considers that rent is higher than that for a suitably-sized property in the locality. (The scheme is managed by local government councils, though the funding is from the UK government.) For social housing tenants whose provider is a local government, the payment is made directly into the tenant's rent account with the council. In the case of social housing tenants whose provider is not a local government council, the tenant may choose to have it paid to themselves or directly to their social landlord. (Information from UK government Directgov website, 'Housing benefit', viewed 28 April 2009, and John Hills, *Ends and means: the future roles of social housing in England*, February 2007.) Given this arrangements, social housing providers do not need to factor in affordability into their rent-setting policy. All rents set are market rents, taking into account the number of bedrooms and the dwelling's market value. Affordability is achieved by the local government giving the tenant the money to pay the rent at 100% (with the qualification noted above) or paying the money to the tenant's landlord on their behalf (if the tenant so prefers).

The three key differences between the UK and Australian and systems are:

- the separation of the rent-setting function from achieving a housing affordability outcome in Great Britain and Northern Ireland, compared with the Australian approach of embedding affordability outcomes in the rent-setting formula;
- the market-rent based rent-setting approach in Great Britain and Northern Ireland, compared with the primarily income-based rent-setting approach in Australia;
- the responsibility for fully meeting the tenant's rent bill by the government in Great Britain and Northern Ireland, compared with the Australian approach of government making a contribution to achieve an affordability outcome;
- the tenure-neutral nature of eligibility for the housing benefit (which means public tenants – there understood as tenants of local government councils – are also eligible) in Great Britain and Northern Ireland, compared with the linking of Centrelink rent assistance to private renting and to a selection of social housing sectors in Australia.

The national governments responsible for housing (Scotland, Wales, Northern Ireland, England) limit the otherwise budget-inflationary potential of the model through their regulation of social landlords which requires rents to be calculated using a formula set by the government. The otherwise budget-inflationary potential of the model in the private rental market is limited by setting the housing benefit according to the median rent of the dwelling for comparable-sized dwellings in the locality. The housing benefit is paid to private renters directly, not to their landlord. In concept, this arrangement is not dissimilar from the Australian Centrelink rent assistance payment, though it overcomes the fundamental design feature of the Australian payment of the payment having no correlation with median rents in the tenant's locality.



In our submission (2006) to the Legislative Assembly Public Bodies Review Committee Inquiry into the Allocation of Social Housing, we recommended that public housing tenants be eligible for Centrelink rent assistance. Income support and rental subsidies are explicitly Commonwealth government responsibilities under the National Affordable Housing Agreement (s.11).

The income-based rent-setting approach that is predominantly used in Australia is effective in achieving housing affordability, but it involves cost inefficiencies. Those are its complexity and intrusiveness, with regular income reviews, extensive documentation from tenants, and intensive administration from housing providers (McNelis, *Rental systems in Australia and overseas*, p.24). In New South Wales, the model has become more complex and intrusive with the introduction of 'CRA capture' into the rent-setting formula for subsidized community housing tenants in 2008 and early 2009 at the instruction of Housing NSW – changes that will also apply to rents in Aboriginal Housing Office dwellings managed by Housing NSW from 6 July 2009. This policy assumes that community housing tenants receive Centrelink rent assistance and will set their income-based rent on that assumption whether the tenant gets Centrelink rent assistance or not (Office of Community Housing, 'Community housing rent policy', 2008; Kevin Fox, 'Community housing rent reforms', *Around the House*, March 2009, pp.20-21 ).

We are not aware of the specific proposal you refer to, namely, of the UK government working towards a fixed rental system where all tenants pay the same rent regardless of income and housing associations are paid a subsidy to make up the shortfall, and so cannot comment on it. However, in principle, a rent-setting system that is based on costs (which would necessarily mean a rent set at less than market rents, since nonprofit providers have no profit driver) should be able to deliver sustainability for providers, and a subsidy from government ('rent assistance') would be needed only for *tenants* (not to the associations) to help them avoid housing stress. This is the model suggested as a 'longer term' option by the NSW Federation of Housing Associations in a 2006 issues paper ('New trends and models in rental income', April 2006).

6. *Please comment on the current income eligibility requirements for public, community housing and social housing in general?*

We are generally of the view that current income-eligibility requirements for social housing are too tight. We support liberalization of income-eligibility for social housing, whether provided by nongovernment or government providers. For that reason, we support the higher income-eligibility thresholds implemented by providers like City West Housing and as provided under the National Rental Affordability Scheme, which we discussed on pages 7-8 of our written submission to the Inquiry. In that submission, we specifically recommended that community-housing providers operating within the constraints of 'mainstream' Housing NSW be allowed the flexibility to accommodate applicants whose incomes are above those required for eligibility for public housing (Recommendation 3). We said that this is something they will need to be allowed to do not only to be able to service a broad

range of customers (such as low-income working households, including 'key workers'), but to be financially sustainable.

Such a path is open to the charge that a valued welfare resource will be denied to people who are 'most in need', in favor of people who can afford to pay more, either in nonprofit intermediate housing or in the private rental market, and is therefore unfair. Nevertheless, this is the view we have taken since the NSW Government introduced the 'NSW government plan for reshaping social housing' in April 2005. We elaborated on this in our submission (2006) to the Legislative Assembly Public Bodies Review Committee Inquiry into the Allocation of Social Housing, where we said (p.24):

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

7. *What effect would the transfer of title of government owned public housing properties to the non-government sector have on the provision of low-cost rental accommodation in NSW, both at a financial and community level?*

We addressed the first aspect of this matter ('at a financial level') in our written submission to the Inquiry (5 March 2009), page 16, and have no further information to provide.

In relation to community-level impacts, we cannot imagine that there are any necessary such impacts, either positive or negative. Community-housing providers currently manage some 11,000 dwellings owned by the Land and Housing Corporation, and a change in ownership of those dwellings, or a number of them, would not necessarily affect the role that nongovernment housing providers play in local communities. Likewise, if new stock were to be transferred to them with title, community-housing providers would presumably not do anything fundamentally different. In this regard, we note that the *Housing Regulation 2009* requires that registered community-housing providers will have to 'support the local community in areas where the community-housing provider has a significant presence' (Schedule 1, clause 7). This will be the case whatever form government assistance to the providers takes (i.e. whether land, dwellings, or grants).

8. The Committee is aware of two types of shared equity home ownership models. The first gives low to moderate income earners the opportunity to enter the housing market through part ownership and part rental of their accommodation from a housing association within the social housing sector. This includes an opportunity for increasing the ownership level as income increases or circumstances change. The second relates to land trusts where low to moderate income earners are able to purchase homes at a reduced price and have limited equity in the property and must sell according to a set formula to other low income earners when they want to move on. What do you regard as the advantages/disadvantages of such models? How do you think they would work in Australia?

A shared equity model of assisted homeownership involving a social housing tenant and a social housing landlord exists in Queensland (Pathways Shared Equity Loan), Western Australia (GoodStart), South Australia (HomeStart EquityStart), Tasmania (HomeShare), and the Northern Territory (HomeNorth Xtra), but only in relation to public housing, not community housing. As far as we are aware, this model is being applied with a housing association in Australia only in the Australian Capital Territory: CHC Affordable Housing has undertaken to establish a shared equity scheme, though we are not aware that this has been established yet. This model is much more extensive in England and Scotland. The advantages and disadvantages of the model are discussed in Simon Pinnegar, V Milligan, D Quintal, B Randolph, P Williams and J Yates 2008, *Innovative financing for home ownership: the potential for shared equity initiatives in Australia* (Australian Housing and Urban Research Institute, 2008, pp.14-15). The key benefits for consumers are the reduced costs in entering the homeownership market and the reduction on ongoing mortgage costs, plus the more intangible benefits from homeownership. The key disbenefit for consumers is in the sharing of capital gain with the co-owner (the social landlord). The report by Pinnegar and others also found that some renters were 'trapped' in their shared equity housing: while they had been able to purchase a portion, the appreciation in value of the dwelling meant they were unlikely to be able to buy out the share of the public housing department, and thus they would never become full homeowners (pages 65-67). We could conclude from this that shared-equity might not be a leg into full homeownership for renters, but rather, a hybrid, 'fuzzy tenure' choice in its own right, with its own specific advantages and disadvantages for consumers. There is no particular reason such a model would not work in New South Wales, since various models exist in most other jurisdictions.

We have supported this model being introduced in relation to public housing and Aboriginal housing in New South Wales (*Housing directions 2007*, December 2006). However, we do not think it is a service type that governments should promote among community-housing providers or encourage community-housing providers to undertake, *at the moment*. (Though of course, government should not be preventing community-housing providers, being independent entities, from introducing new products with their own resources.) Our reasons for this caution are, firstly, that the development of affordable rental housing is a current policy priority. Secondly, community-housing providers are currently being asked to respond to quite a few Commonwealth-driven initiatives, namely the National Rental Affordability Scheme, the Social Housing Growth Fund (Social Housing National Partnership) and the Social Housing Initiative (Nationbuilding and Jobs Plan National Partnership), as well as to various initiatives that flow from the Housing NSW's

*Planning for the future: new directions for community housing strategy* (December 2007), e.g. transfers for tenancy management of Land and Housing Corporation dwellings, pilot on long-term leases, new rent policy – all of which are making and will make demands on the subsector's resources and capacities.

We addressed the matter of community land trusts and their potential for assisting affordable rental housing in our written submission to the Inquiry (5 March 2009), pages 17-19. This model also has potential for assisting affordable homeownership. In the USA, most of the community land trusts are facilitating affordable homeownership and half of the housing stock on community land trusts' land is owner-occupied. Where the land is rented to homebuilders or, where there is an existing dwelling, to homepurchasers, affordability is promoted by them not having to purchase the land. If the homeowner sells the dwelling, the community land trust has an option of buying it. If the homeowner sells the dwelling to another private household, the community land trust can put conditions on the resale price, which provide the seller with a return on their investment but also give access to a new homeowner at a submarket purchase price. Since the community land trust is not profit-motivated, its land holdings can counter the trend to high land prices in favored locations. The community land trusts in the USA have been set up independently but have been assisted with government grants, donations of land by local councils, etc. There is no particular reason such a model would not work in New South Wales. In our written submission, we recommended that the government undertake a feasibility study on community land trusts in New South Wales (including the degree to which, if at all, they might receive startup subsidy from government). Were the Government interested in undertaking such a study, there is no reason the terms of reference could not include perpetually-affordable homeownership as well as perpetually-affordable nonprofit rental housing, and in particular the value of the model for facilitating owner-occupation on Aboriginal-owned community lands.

9. *What do you regard as necessary elements for more cohesive communities? What needs to be done to sponsor these?*

We understand social cohesion in the way it is defined by Tony Vinson (*Community adversity and reliance: the distribution of social disadvantage in Victoria and New South Wales and the mediating role of social cohesion*, Jesuit Social Services, 2004, pp.32-33), as a dynamic with three components:

- social and support networks, including access to social support in times of need;
- social participation, as the obverse of social isolation and being cut off from relationships, providing friendship and company; and
- community engagement, including volunteering which draws people to work together for the benefit of others.

Social cohesion can limit the negative effects of disadvantage, such as unemployment, limited education and poor health (Tony Vinson, M Rawsthorne and B Cooper, *Dropping off the edge: the distribution of disadvantage in Australia*, Jesuit Social Services, Richmond VIC and Catholic Social Services Australia, Curtin ACT, 2007).

In our written submission to the Inquiry (5 March 2009), we suggested that it was not necessary to ‘reinvent the wheel’ –the Government has already identified some appropriate principles and desired outcomes relevant for regeneration of public housing estates under its Living Communities program (Department of Housing, ‘A new direction in building stronger communities 2007-2010’). While those principles relate to public housing, we think these are a good basis to establish principles and desired outcomes for sustainable, mixed communities.

Those principles being used for regeneration of the estates that fall within the Living Communities program are:

- reducing disadvantage
- engaging with communities
- respect and responsibility
- responsiveness

The program aims to have these outcomes:

- better urban environments
- appropriate services in the places where they are needed
- better social environments
- jobs, skills and high levels of employment

This particular program needs to be evaluated, since it is not yet at the end of its cycle. In particular, programs such as these need to be linked with initiatives to deconcentrate public housing estates; the National Affordable Housing Agreement commits the States and the Commonwealth to ‘create mixed communities that promote social and economic opportunities by reducing concentrations of disadvantage that exist in some social housing estates’ (section 20). Such programs also need to be linked to:

- other initiatives of Housing NSW, in particular the *NSW Housing and Human Services Accord*;
- the ‘community development’ programs of the Department of Community Services; and
- the land use planning undertaken by the Department of Planning, especially in relation to limiting urban sprawl in Sydney, Newcastle, Wollongong, and regional cities.

We would caution against any assumption, when promoting cohesive communities, that an estate comprised solely or predominantly of social housing cannot be cohesive simply by virtue of that concentration of that tenure type and of, presumably, low-income people. A study of four public housing estates in Queensland and South Australia found that strong cohesive communities can exist on estates without there being socioeconomic diversity (Kathy Arthurson, ‘Creating inclusive communities through balancing social mix: a critical relationship or tenuous link?’, *Urban Policy and Research*, 20(3), 2002). It found a positive sense of community was particularly strong among long-term residents with established friendship networks. The reason that this finding is so useful is that it provides evidence, which is specific to a social housing, for the development of social cohesion by residents independently of the control by government agencies.

10. Do you think it is possible to provide sufficient low-cost rental accommodation without creating 'pockets of disadvantage'? If so, how?

This question begs the question of how big is a 'pocket'. Is a block of flats accommodating 12 low-income households in Fairfield a pocket of disadvantage? Is a block of flats accommodating 12 low-income households in Fairlight a pocket of disadvantage? The private market creates bands of high relative deprivation and of low relative deprivation within major cities, and this is noticeable in Sydney, with the wealthiest households concentrated in Sydney's north shore (Scott Baum, *Suburban scars: Australian cities and socio-economic deprivation*, Griffith University, 2008, pp.25-26). So what we have in Sydney, especially among NSW cities, is pockets of low relative deprivation, 'exclusive' suburbs.

We think a strategy of social mix needs to deconcentrate the rich, and, so, programs of new affordable rental housing need to ensure that such housing is built or acquired in suburbs that have good urban infrastructure (public transport, etc.), that are well located in relation to workplaces, educational facilities, and shopping centers, and that are well located in relation to recreation facilities, waterways and parks. In Sydney, the middle-ring suburbs are well-placed for this purpose, since the condition of many existing dwellings warrants regeneration of those suburbs (Bill Randolph, 'Socially inclusive urban renewal in low value suburbs: a synopsis of issues and an agenda for action', University of NSW, 2008). However, it is also important that new affordable rental housing be built and acquired in inner-ring suburbs: the Sydney City council has accepted this for its area, and the council's *Sustainable Sydney 2030* strategy aims to have a substantial proportion of new private housing aimed at the lower end of the market and to grow intermediate housing and social housing (pages 257-260).

Also relevant to this question is the income-eligibility thresholds for and security of tenure within affordable rental housing schemes. Eligibility criteria that exclude applicants other than those with very low-income and welfare needs will lead to concentrations of socio-economic disadvantage on estates. Tenure conditions that require tenants to move out of the dwelling if their incomes improve and exceed the initial income-eligibility thresholds (or a modification of it, as applies under the National Rental Affordability Scheme) will prevent the natural or organic development of diversity within a locality.

11. Your submission mentions the mixed income developments undertaken by City West Housing Pty Ltd which include three bands of income.
- a. What do you see as the advantages/disadvantages of income mixing within the co-operative housing sector, both financial and social?

The current model of nonprofit rental housing cooperative that we have in New South Wales already allows for allocation of tenancies to a wider range of applicants (in terms of income-eligibility) than other government-subsidized community housing programs. The government guidelines for this subprogram require 65% of a subsidized rental housing cooperative's tenants to be eligible for public housing, but the other 35% of tenants do not have to be.

This practice (because of the implications for the cooperative's rent revenues) has allowed some of the current rental housing cooperatives to accumulate small trading surpluses which they have put into property development to build more nonprofit affordable rental dwellings (Karine Shellshear, 'NRAS success for ARCH and two co-ops in Fairfield', *Around the House*, March 2009). In this way, the social mixing within the subsector has fiscal benefits both for the cooperative's viability and sustainability as a business and for its potential to generate capital to contribute toward property development. We are not aware of any disadvantages of the practice in fiscal terms. In terms of social impacts, an advantage of this model is also able to contribute to mixed communities within the particular cooperative and in the locality where the cooperative's dwellings are located (Karine Shellshear, 'How can we make affordable housing work: how co-operative housing can create sustainable mixed communities', presentation to Shelter NSW 'Social mix in our cities' seminar, 2002). We are not aware of any negative social impacts of the practice.

12. Your submission notes the 'serious shortage of stock (dwellings)' in Australia.
- a. What do you think is the most appropriate way of redressing this situation.
  - b. Are there sufficient skilled workers available to enable this and the currently proposed developments?

(a) We addressed this matter in our written submission to the Inquiry, pages 10-19, and have no further actions to recommend. Since we lodged that submission, the National Housing Supply Council released its first *State of supply report*, of 2008 (Department of Families, Housing, Community Services and Indigenous Affairs, February 2009), which gives us a better picture of the shortfall in housing, including affordable housing, Australia-wide. It found an estimated gap of dwellings to accommodate rough sleepers, people staying with friends and relatives, and marginal residents of caravan parks, and to increase the private rental vacancy rate to 3%, of 85,000 (pp.65-69). While the Council is not a policy advisory agency, it did offer some cautious comments on the implications of its findings. Among those was this (p.105):

At least at the lower end of the rental and owner-occupied portions of the market, it is unlikely that the market itself will be able to rectify the supply shortfall, and government policy and programs will be required to meet the gap ... The Council's work to date indicates that action is needed to lift social housing supply and that the supply of affordable private rental housing for lower income households is also inadequate. These are both targets of recent Australian Government initiatives and have also been addressed to some extent by some State governments. The emerging National Affordable Housing Agreement provides an opportunity for governments to increase and coordinate their efforts.

(b) We have no information on this matter.

13. Explain what you think is required to ensure that investment in affordable rental properties becomes an acceptable form of investment, resulting in a sustainable approach to the provision of low-cost rental accommodation.

The acceptability or preference of private investment in privately-provided affordable rental housing will depend on a number of factors, which we discussed on pages 11-13 of our written submission. Since we lodged that submission, the Australian Housing and Urban Research Institute released a report on motivations of investors in private rental housing (Tim Seelig, A Thompson, T Burke, S Pinnegar, S McNelis and A Morris, *Understanding what motivates households to become and remain investors in the private rental market*, Australian Housing and Urban Research Institute, 2009). This study survived a mix of very small and moderate holdings-based investors, and found (p.73):

Investors are attracted to property investment because they believe it represents a good long-term investment, and associate it with notion of property being 'low risk' and offering a 'guaranteed' return in terms of capital gains. Sentimentality and informality are also important factors when it comes to making critical property investment decisions. Investors feel 'comfortable' with property. It is safe, stable, tangible and familiar, particularly when compared with shares, and is also relatively easy to invest in, and is not mysterious or complex like some other investments appear to be.

In relation to private investment in the low-rent end of the private rental sector, the study found (p.75):

This study has highlighted that, despite the multifarious drivers and influences on investors' behaviour and decision-making, investors are clearly not driven by any sense of moral or social imperative to provide housing as a social service. Aversion to low-cost rental housing is not necessarily by design, but is more an effect of housing markets, investor economics, location choices and possibly the broad availability of negative gearing without strings. However, investors are reluctant to see the lower end of the market as an attractive proposition of future investment, at least not without significant government assistance.

The acceptability of government subsidies ('investment') for nonprofit affordable rental housing – whether provided by government agencies or community-housing providers – will probably depend on:

- the extent to which policymakers and the broad public are motivated by compassion rather than by other social values such as retribution, indifference, or 'the envy factor' in relation to low-income and socially disadvantaged Australians who are homeless or in housing stress (etc.);
- the extent to which nonprofit affordable rental housing programs actually deliver good housing outcomes for the tenants of those programs' housing;
- the extent to which nonprofit affordable rental housing programs deliver good *nonhousing* outcomes for the tenants of those programs' housing;
- the extent to which those programs and their tenants have maximum positive impacts on their neighborhoods and have minimal negative impacts on their neighborhoods;



- the extent to which government subsidies to nonprofit affordable rental housing provide value for money as against other potential, alternative uses, or indeed provide better use of the money compared with alternative uses – by virtue of the way the money is leveraged to generate more revenue.

The social values underpinning policymakers' and the public's view, of whether government subsidization of affordable rental housing is acceptable, are not matters that can, or necessarily even should, be generated by government. Nevertheless, governments can, through their actions and discourses, undermine or enhance, the values generated by a society's people. In Australia, there is a strong ethos of a 'fair go', which while slippery, seems to be robust and resilient, and it provides a social basis for governments' social policy, for both major parties of government (i.e. for the Labor party and for the Liberal and National party coalition). We think it provides a reasonable foundation on which to assume and expect that the NSW public do, and will continue to support, affordable housing programs.

The extent to which nonprofit affordable rental housing programs actually deliver good housing outcomes for the tenants of those programs' housing is subject to quantitative performance and reported on by a number of governmental bodies, namely the Steering Committee for the Review on Government Service Provision and the Australian Institute of Health and Welfare. We referred, in our written submission, to some data collected by the latter agency. Generally, the nonprofit rental housing programs that came under the umbrella of the former Commonwealth–State Housing Agreement were assessed favorably by a number of efficiency and tenant satisfaction measures. There is currently a review of the *Report on government services* by a Senior Officials and Heads of Treasuries Working Group established by the Council of Australian Governments, which should report in September this year.

The extent to which nonprofit affordable rental housing programs deliver good nonhousing outcomes for the tenants of those programs' housing has been reported on in a number of studies, the most recent being one on the NSW rental cooperative housing subsector (Paul van Reyk, *Terriers and sanctuaries: social capital, non-housing outcomes and home in co-operative housing in NSW*, report prepared for the Association to Resource Cooperative Housing, 2008). We reported on a number of those studies a few years ago (Hazel Blunden and C Johnston, *Public housing and nonhousing outcomes: a background paper*, Shelter Brief 25, 2005). Most of those studies have been qualitative. What is required is some studies that use a rigorous cost-benefit methodology. If it is considered that those studies have not provided a convincing enough case, then what is required is a study that is not another synthesis study, but a cost-benefit analysis using quantitative data.

The neighborhood impacts of nonprofit rental housing can relate to the dwelling itself or to the residents in the dwelling. In terms of dwellings, we could assume that the response of people in a neighborhood to new affordable housing dwellings being built in their neighborhood would be similar to responses in the USA. There, surveys by the National Association of Realtors have consistently found a high level of acceptance of affordable housing if its fits the neighborhood context, that is, the developments "fit with the area and are pleasant to look at" (Robert E Lang, K B

Anacker and S Hornburg, 'The new politics of affordable housing', *Housing Policy Debate*, 19(2), 2008, p.236, citing NAR data). The high level of acceptance was found even where the proposed development was “next door to my home” (p.238). These findings suggest that what is required is for dwellings being built for affordable rental housing to be built to a design and standard that is consistent with the dominant dwelling type in the neighborhood. This is, indeed, required by *State Environmental Planning Policy no.70 – Affordable Housing (Revised Schemes)* (Schedule 2: ‘Affordable housing principles’, section 8), and is a principle being deployed by Newleaf Communities in their redevelopment of the Bonnyrigg (Sydney) public housing estate as a mixed-tenure precinct.

The other neighborhood impact of nonprofit rental housing relate to the residents in the dwelling. We know that residents of public housing estates are stigmatized by virtue of living in that tenure (Rowland Atkinson and K Jacobs, *Public housing in Australia: stigma, home and opportunity*, University of Tasmania, 2008). It is possible that that stigmatization migrates with the tenant even if social housing is dispersed. This can be mitigated by ensuring the design and building of affordable housing dwellings is compatible with that of existing dwellings in a neighborhood, as mentioned in the previous paragraph. But building structures cannot overcome any ‘unacceptability’ that a social housing resident has by virtue of their low-income status or poverty, especially if that status is compounded by other social qualities, such as Aboriginality, or mental health condition, etc.. In this case, the acceptability of affordable rental housing in neighborhoods dominated by owner-occupiers and by moderate-high income earners will depend on initiatives around social cohesion (including social capital) that may fit into the brief of agencies other than Housing NSW (e.g. Community Relations Commission, Department of Community Services, NSW Health, Department of Aboriginal Affairs).

Our final comment on the acceptability of government subsidies to nonprofit affordable rental housing is about value for money. We suggest that a critical factor in assessing this, as against other potential, alternative uses of the money, is the degree to which the money is leveraged to generate more revenue.