

**Submission
No 95**

**INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE
HOUSING**

Organisation: Shelter NSW

Date received: 27/02/2014

SHELTER NSW SUBMISSION

Inquiry into Social, Public and Affordable Housing

Submission to the Select Committee of the Legislative Council from Shelter NSW

These comments are a response to the request for submissions addressing the terms of reference of the Select Committee (November 2013):

‘That the Select Committee inquire into and report on demand for social, public and affordable housing and in particular:

- 1 (a) projections of future social, public and affordable housing supply and demand to 2020
- (b) data regarding the link between the lack of appropriate social, public and affordable housing in New South Wales and indicators of social disadvantage
- (c) housing design approaches and social service integration necessary to support tenant livelihoods and wellbeing
- (d) maintenance and capital improvement costs and delivery requirements
- (e) criteria for selecting and prioritising residential areas for affordable and social housing development
- (f) the role of residential parks
- (g) recommendations on state reform options that may increase social, public and affordable housing supply, improve social service integration and encourage more effective management of existing stock including, but not limited to:
 - (i) policy initiatives and legislative change
 - (ii) planning law changes and reform
 - (iii) social benefit bonds
 - (iv) market mechanisms and incentives
 - (v) ongoing funding partnerships with the Federal Government such as the National Affordable Housing Agreement
 - (vi) ageing in place, and
 - (h) any other related matter

2. That, in conducting the Inquiry, the Committee note the recommendations of the 2013 report of the Audit Office of New South Wales entitled “Making the best use of Public Housing”.’

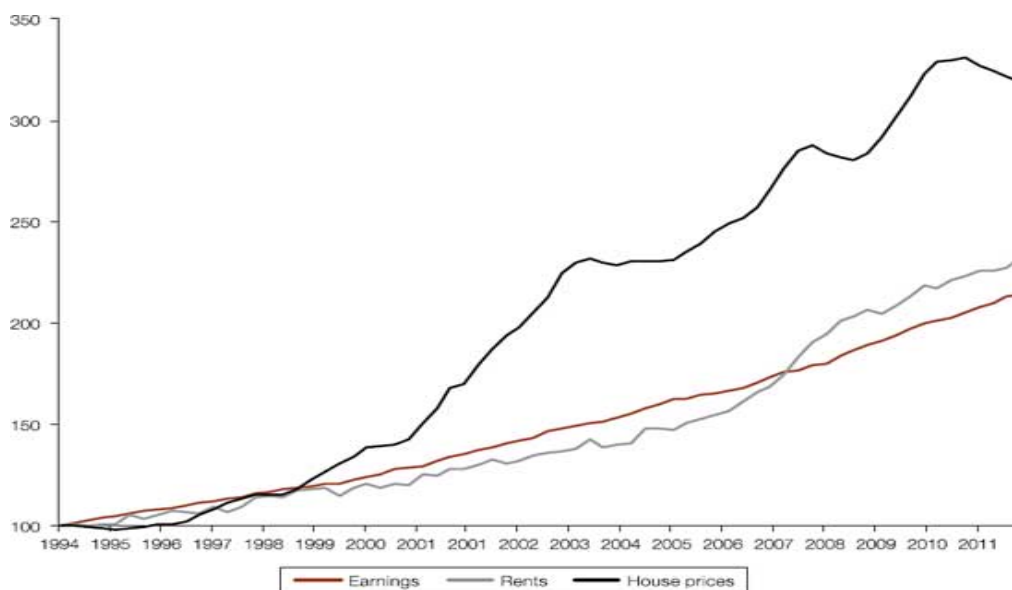
Our organization’s overall interest is in the dimensions and urgency of the problem posed for households on low and moderate incomes by housing unaffordability in NSW, and following from that, the public policy responses needed. Within that context we will focus our comments on the policy responses likely to have the greatest effect on the position of lower income households who are disadvantaged in housing markets. However, it is impossible to address the need for social and affordable housing without addressing its role within the deep problems of the wider housing market, within which it operates.

1. The affordable housing challenge

Unaffordable house prices

The main characteristics of the problem are well known; largely due to the work of the recently abolished National Housing Supply Council. House prices have increased faster than incomes over the past 15 years. (Figure 1) This has placed home ownership out of reach of most first home buyers.

Figure 1 Rents and House prices to earnings growth



Source: National Housing Supply Council (2012)

Between 2007-08 and 2009-10 the proportion of low and moderate income mortgagors in housing stress (that is, paying more than 30% of their income in housing costs) rose from 48% to 54%; and those in severe stress (paying more than 50% of their income) rose from 31% to 32%. (Table 1) Both of these were significantly above the national average. While these rates will have reduced with the more recent interest rate reductions, they reflect the underlying unaffordability of home purchase for low and moderate income earners in NSW.

Table 1. Proportion of mortgagors in the lowest 40 per cent of the income distribution facing direct housing costs of 30 and 50 per cent or more of income

	30% or more of income		50% or more of income	
	2007-08	2009-10	2007-08	2009-10
NSW	48%	54%	31%	32%
Australia	48%	48%	25%	27%

Source: From NHSC (2012). Derived from ABS, *Microdata: Income and Housing, Basic and Expanded CURF on CD_ROM/RADL, 2007-08 and 2009-10*, cat no. 6541.0.30.001, ABS, Canberra, 2011.

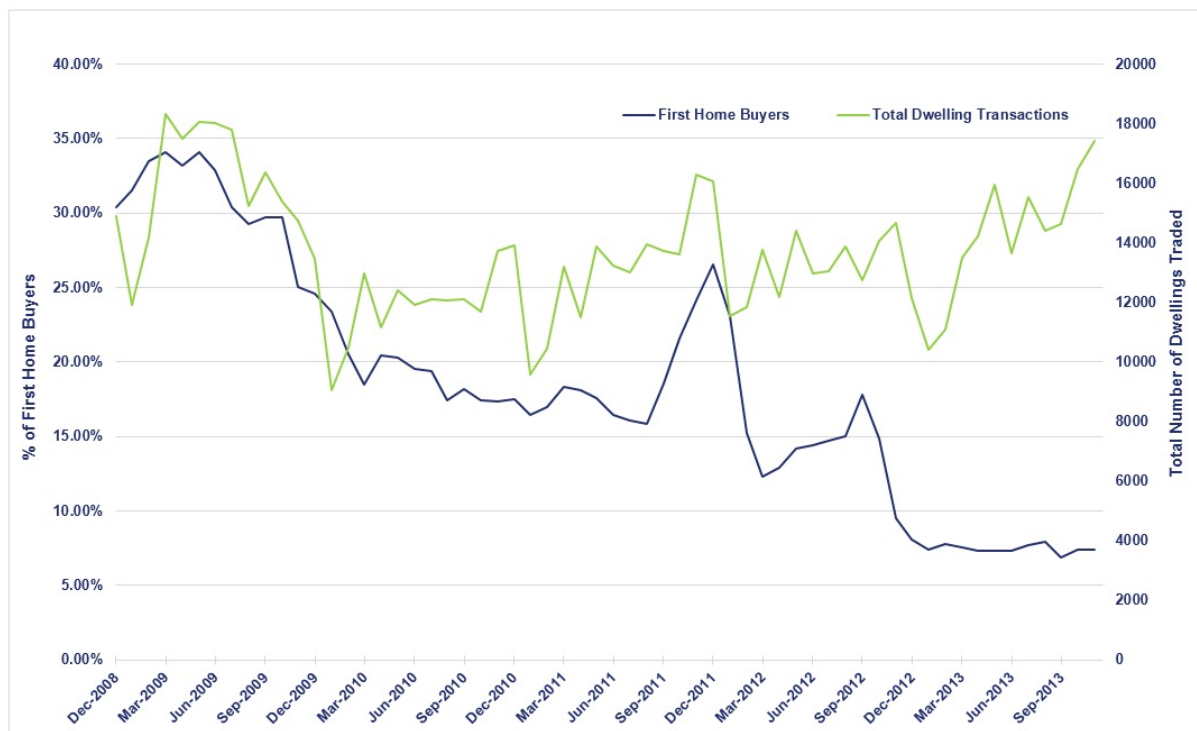
The latest housing finance figures from the Australian Bureau of Statistics¹ shows the continuing low level of owner occupier commitments, but more importantly the very low level of first home buyers. As the Real Estate Institute of Australia said in its press release,

“The proportion of first home buyers in the number of owner /occupied housing finance commitments rose from its historically lowest point of 12.3% in November 2013 to 12.7% in December 2013. The figure is alarmingly lower than the long-run average proportion of 19.9% despite eight interest rate cuts since November 2011.”

“December 2013 results highlight the need for Government to act on housing affordability and to stem the rapid decline in the number of first home buyers, ...”

The overall trend is illustrated in Figure 2.

Figure 2: Average rents, earnings and house prices indexed to third quarter of 1994



Source: National Housing Supply Council (2012)²

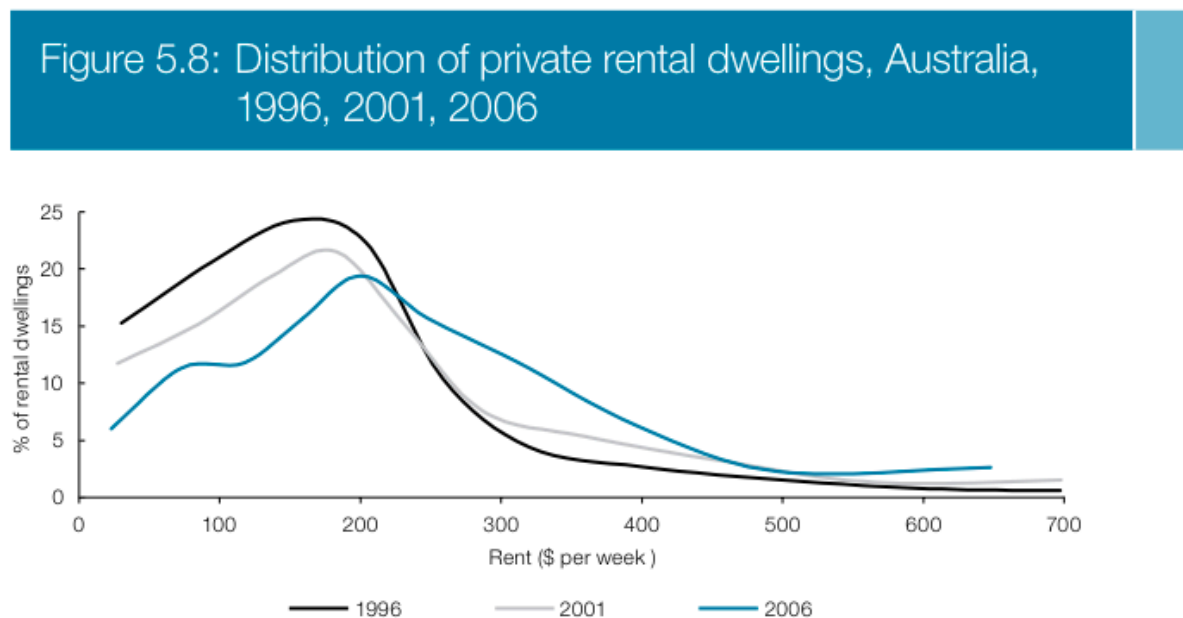
More renters but less affordable rental for low and moderate income households

Together with demographic and employment changes, the exclusion of first home buyers in favour of investors has led to an increased proportion of households renting. A clear consequence of this is that rents have also increased faster than earnings.

The last National Housing Supply Council (NHSC) report 2012-13, noted: “Compared to a decade ago, the average nominal rent paid is up by 75.8% for houses and 91.8% for other dwellings (mostly flats/ apartments) (see Figure 1). By comparison, average earnings rose by 57% over the same period and house prices rose by 69%.”

Over the decade from 1996 to 2006 there was a substantial reduction in the proportion of rental housing with rents at the lower end of the market. The following Figure 3 (reproduced from figure 5.8 of the NHS 2010 report) shows this clearly.

Figure 3



Note: rents are denominated in 2006 dollars.

Sources: Australian Bureau of Statistics, *2006 Census Tables, Australia*, cat. no. 2068.0, ABS, Canberra, 2007; M Wulff et al., *Australia's private rental market: changes (2001–2006) in the supply of, and demand for, low rent dwellings*, Australian Housing and Urban Research Institute project no. 50502, forthcoming; J Yates, M Wulf & M Reynolds, *Changes in the supply of and need for low rent dwellings in the private rental market*, Australian Housing and Urban Research Institute Final Report no. 61, AHURI, Sydney, 2004.

Source: National Housing Supply Council (2010)

This, in turn, has put increased pressure on low-income households who are unable to compete for the modest number of rental properties that would be affordable to them. In terms of low and moderate income renters, the most important data has been provided by the National Housing Supply Council in each annual report, initially derived from the AHURI report by Yates, Wulff and Reynolds in 2004³. It is the supply of rental housing that is both affordable and available to low and moderate income renters, once the properties occupied by higher income

renters is taken into account; and shows that there was a shortage of 539,000 rental properties affordable and available to low and moderate income renters.

Table 2. Shortage of affordable and available rental dwellings for renters with gross incomes at or below the 40th or 50th percentiles

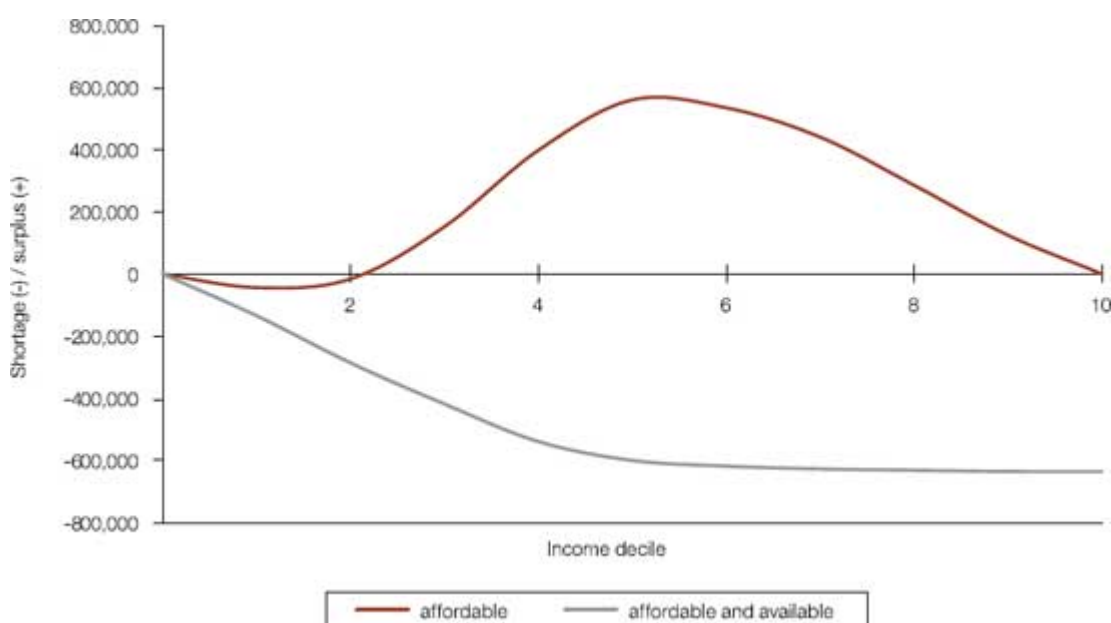
	2007-08	2009-10
40th percentile		
Whole of Australia	473,000	539,000
Capital cities	297,000	341,000
Rest of State	176,000	198,000
50th percentile		
Whole of Australia	504,000	599,000
Capital cities	323,000	388,000
Rest of State	181,000	211,000

Source: National Housing Supply Council (2012)⁴

Derived from ABS, *Microdata: Income and Housing, Basic and Expanded CURF on CD_ROM/RADL, 2007-08 and 2009-10*, cat no. 6541.0.30.001, ABS, Canberra, 2011.

Figure 4 makes this point another way by showing that there is an absolute undersupply of rental stock that is affordable to renter households whose incomes are in the bottom 20% of renters, that this becomes a substantial aggregate surplus of properties at a rent affordable to renters at median income, but that this turns into a substantial undersupply when the availability of affordable rental is considered.

Figure 4: Affordable and available rental dwellings by income deciles, 2009-10



Source: NHSC (2012)

Decline of social housing compounds the problem for low-income renters

The effect of this cumulative undersupply in the lower half of the rental market has been exacerbated for lower income and vulnerable households by the steady decline in the supply of social housing and the effects of decades of deinstitutionalisation without the provision of the a commensurate supply of appropriate alternative housing. There are reasons to fear that the introduction of the National Disability Insurance Scheme (NDIS) may repeat this latter pattern of failure.

For its first 50 years, social housing provided a tenure that offered both secure housing for low-income households and an affordable transitional tenure for those saving for home ownership. While the share of housing stock was low in comparison to most European countries, this provided a complement to the private housing market and a buffer against the supply gaps of affordable rental. In NSW the supply grew at just under 3,000 units a year until 1995⁵. By the 1990s, however, a number of factors had begun to create a drag on the ability of social housing to play this role⁶:

- Funding reductions limited the capacity for growth. The 1981 CSHA had introduced the requirement for state matching; although, in 1989 Commonwealth funding was made in terms of grants rather than loans, reducing cost to the State. Commonwealth funding declined steadily in real terms from the mid-1980s, and then more sharply from the mid-1990s to 2007.
- The 1978 Commonwealth State Housing Agreement (CSHA) had established a requirement to target public housing to those most in need. In the 1980s NSW targeted housing to those most in need rather than working families; and an increasing proportions of applicants were singles, older people, the homeless and people with disabilities. In the 1990s targeting of housing assistance to those in priority need as a form of rationing increased in response to continued reduction in Commonwealth funding.
- However, rationing social housing to those with very low incomes and higher needs both seriously eroded operating revenue (because rents were related to income with no additional subsidy) and increased operating costs.⁷ This is the fundamental cause of the unsustainability of public housing today⁸; and until the revenue stream is restored to levels that cover operating costs (and, ideally, financing costs) through an explicit external subsidy to cover affordability (rather than HNSW being expected to subsidise this internally), social housing cannot be made sustainable. Further rationing/ targeting will only increase both operating and subsidy costs, in a vicious spiral.
- Maintenance also became an increasing cost to the system. An increasing proportion of the stock was aging and in need of increased levels of maintenance. In the 1980s in NSW there was a new emphasis on rehabilitation of old housing stock; and in the 1990s there was major investment in the Department's stock with substantial effort to bring it up to standard.
- The legacy of the major estate building programs of the 1960s and 1970s became a challenge to the system as design problems, isolation from services and employment and an increasing proportion of lower income and special needs tenants were housed. In the

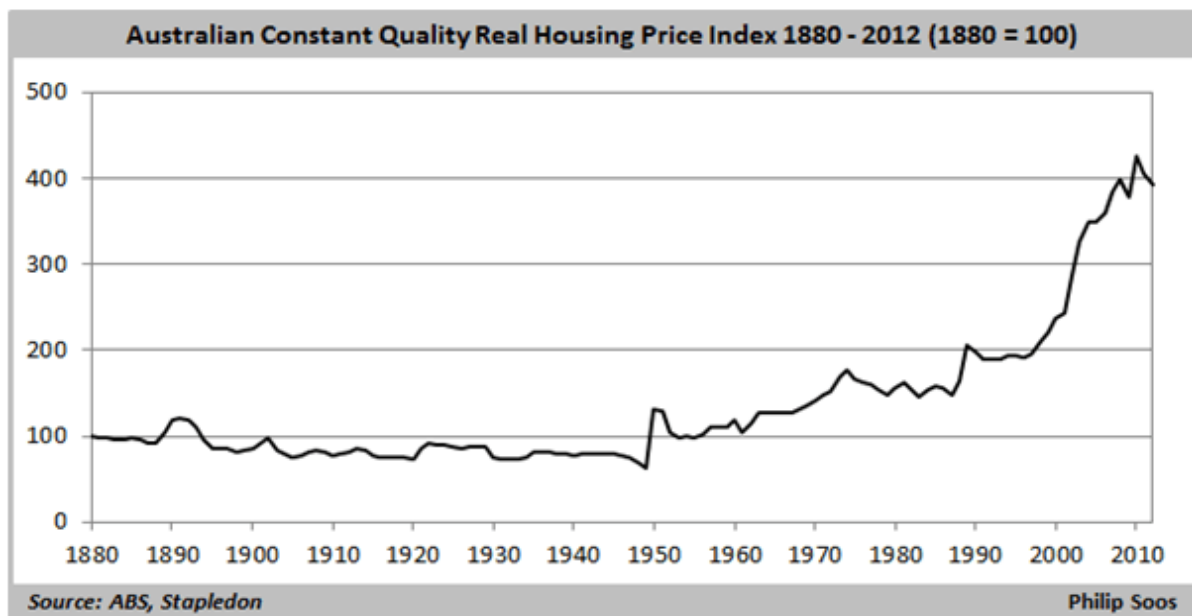
1990s, the Neighbourhood Improvement Program (later renamed Community Renewal/Regeneration) commenced.

Today, rather than increase supply to meet the growing shortfall of rental housing that is affordable and available to low and moderate income tenants, the Land and Housing Corporation projects net reduction of stock and an inability to meet maintenance needs. (Although it should be noted that HNSW maintained the level of social housing more effectively and for longer than most other jurisdictions.)

Decline of social housing coincides with unprecedented changes in the market

One of the most important points that can be made about this stalling (and now decline) of social housing in NSW and Australia generally, is that it has coincided with the historically unprecedented increase in house prices in the late 1990s and transformation of the rental market.

Figure 5



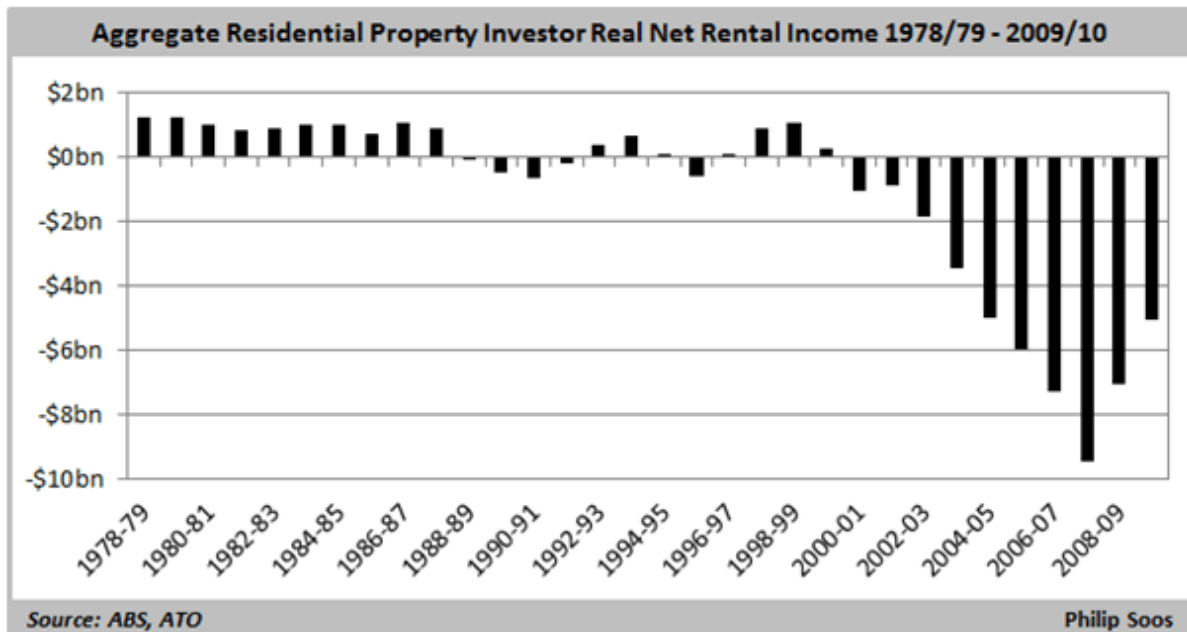
Source: Phillip Soos (2013) *The history of Australian property values*.⁹

While each period of inflating house prices – or more accurately, land values – led to a correction and recession in the 70s, 80s and 90s (although gradually ratcheting up prices), the increase over the decade to 2010 *doubled* the growth of the preceding 50 years. This dramatic change was fuelled by an equally dramatic increase in housing debt relative to disposable income, which grew from around 40% of disposable income at the beginning of the 1990s to almost 160% by 2006, which is where it has stayed.

Apart from the dramatic onset of the affordability crisis in home purchase that these changes brought about, it also fundamentally changed the nature of investment in the rental market.

Almost directly mirroring the pattern (and increases) in interest payments arising from housing debt relative to disposable income, rental returns to investors have collapsed.

Figure 6



This means that since 2000, the rental market has been driven by the prospect of future speculative gain, rather than rental returns. This has driven almost all investment in the rental market towards the top end of the market, with the loss of stock affordable to low and moderate income households, but it has increased the insecurity of tenants, as investors retain properties only until they can realise the anticipated capital gain.

The current reduction in the supply of social housing has been accompanied by a growing expectation that those who would have been housed in social housing can now be supported into sustainable housing in the private rental market and ultimately may aspire to home ownership. But this growing public policy expectation is emerging in response to the decline of social housing, at precisely the time when it has become most unrealistic.

As long as the unprecedented characteristics of the housing market that have emerged and deepened since the mid-90s remain, neither the private rental market nor homeownership can be presented as realistic and sustainable options for low income households, or as alternatives to social housing. As a result, public policy must be addressed to *both* restoring the viability of social and affordable housing programs and to correcting the fundamental distortion in our housing markets.

The causes of housing market distortions

The reasons for the unprecedented house price inflation and the changes in the rental market are also well known. However they have been consistently ignored by policy makers.

They are:

- Speculative investment
- Spatial segregation
- Poverty – exacerbated by spatial segregation
- Overconsumption
- Inefficient allocation in the market

Speculative investment

Housing investment has come to be dominated by speculative investment, driven by the need to maximise capital gains or the opportunity to realise unearned gains from value uplift.

This has been a vicious cycle as investors bid up the cost of housing in the expectation of returns from capital gains, leading to operating losses from higher debt service costs, requiring returns to be realised by even higher prices. This also means that new investment has been skewed to the top end. This explosion of speculative investment has been underpinned by ‘negative gearing’ (allowing more generous deductibility of losses than for other kinds of investment). Even more important, the introduction of a 50% capital gains tax (CGT) discount in 1999 appears to have led to the sharpest increase in housing debt and the sharpest increase in house prices. All of this has been supported by increasing levels of financial deregulation that increased access to debt.

While both of these are Commonwealth taxation measures, it is the State that carries the costs of unaffordable housing markets, and there is strong incentive for the State to seek to influence the Commonwealth Government to introduce measures, such as those recommended in the Henry Tax Review to address this problem.

A second cause of speculative distortion relates to ‘value uplift’. Shelter NSW has recently produced a Housing Update on this topic.¹⁰ Owners of land (or speculative land bankers) in both greenfield and infill sites may receive substantial unearned capital gain from increased land value arising from planning decisions. The increase in land value, which contributes substantially to the inflation of land price, would be moderated and resources made available for affordable housing, were the unearned ‘uplift’ to be shared between the land owners and the government. Unlike CGT and negative gearing, this is an area of State taxation.

Another area of state taxation could also make a significant difference in moderating land prices. That is to replace stamp duties (see below in the discussion of over consumption) with a broad based land tax. Again, this measure was recommended in the Henry Tax Review.

Un-moderated spatial segregation

Increasingly our cities are becoming spatially segregated as high house prices and rents in areas with the best access to employment and amenity force lower income households to seek affordable housing in less well- located areas. Such constrained choices lead to costs that may significantly reduce overall affordability, in particular transport costs.

Policies that fuel (or fail to limit) the reduction of low cost housing in higher cost areas drive spatial segregation. The provision of social and affordable housing in higher value areas helps

limit this, although current suggestions that public housing assets in high value areas may be sold to fund operating costs, would clearly add to the problem.

Planning policies that facilitate the provision of affordable housing in new developments – particularly in urban renewal areas that have increased land values – can play an important role in moderating spatial segregation. Shelter NSW has urged the retention of such provisions for ‘inclusionary housing’ that are included in the current *Environmental Planning and Assessment Act 1979* in the proposed new *Planning Bill 2013* currently before Parliament.

It is important to distinguish ‘inclusionary housing’ provisions which aim to maintain housing affordability that would otherwise be lost in new development (and to share value uplift) from developer contributions for infrastructure. These have added to the cost of production and have been passed on to the price of new housing. There is an argument that such infrastructure costs should be borne by the public purse, since the beneficiaries are both wider and intergenerational.

Overconsumption

One of the factors that have increased house price inflation is overconsumption of housing – in particular overinvestment in owner-occupied housing. Since 1955 and 2000 the average size of dwellings almost doubled, despite the decline in the number of occupants.¹¹ While there are a number of reasons for this, the main reason is that investment in owner occupied housing is tax free due to the exemption of the family home from capital gains tax. Similarly, the family home is exempt from the asset test for the age pension and inheritance is not subject to death duties. Again, the first two of these are Commonwealth matters.

However overconsumption of housing that is no longer required due to changes in household composition is exacerbated by state stamp duty. Between 2001 and 2011 the proportion of one and two person households living in houses with three and four bedrooms increased by 4.1% and 4.5% respectively¹². It is likely that stamp duty is a contributing disincentive to down size (and to mobility generally). As noted above, a shift from state reliance on stamp duty to a broad based land tax, as Henry recommended, would reduce this disincentive.

Inefficient allocation in the market

With investment in the rental market skewed to the upper end of the market to attract the best capital gains, competition for the moderate and low cost rental is exacerbated. As noted earlier, this means that rental housing that is affordable is not available to 540,000 low and moderate income households.

A key role for social and affordable housing landlords is to allocate housing that is appropriate to the needs of applicants.

2. Issues for social and affordable housing in NSW/ selected committee terms of reference

Future social, public and affordable housing supply and demand

The Committee has asked whether there is information on the future social and affordable housing demand. The answer with regard to affordable housing in aggregate is the most clear.

The two figures provided by the National Housing Supply Council represents the supply gap – both the absolute undersupply (around 20,000 nationally for the bottom 20% of renters) and the much larger gap in *available* affordable housing (540,000 – 590,000 nationally). While the data does not exist to project this demand, it shows that in the two years between 2007-08 and 2009-10 the number of low and moderate income households unable to access rental housing that was affordable grew by 66,000 (14%). Over the same period the absolute supply of rental housing that was affordable to low and moderate income renters fell by 272,000 or 41%.

However, any projections depend on policy parameters, and depends on whether the response to the reducing supply and reducing availability is directed to the private rental market or to ‘affordable housing’ programs through measures such as NRAS or inclusionary housing provided through the planning system and managed by not-for-profit housing managers (community housing).

While it is Shelter’s view that action (and supply/ availability targets) should be directed to both the private market and ‘affordable housing programs’, the prospects of the suite of tax, planning, regulatory and financial reforms needed to bring about changes in the private rental market are dim. As a result, it is imperative that a substantial part of the effort should go to programs to support the supply and management of dedicated affordable housing. This includes social housing managed by both community and public housing providers.

However, projections of the demand for social housing are even more dependent on policy decisions about the role attributed to social housing. The recent NSW Auditor-General's Report to Parliament (2013) *Making the best use of public housing*, reports that the demand for social housing is projected to grow by 14% in the five years from 2011 to 2016.¹³ However, this projected demand is based on the eligibility conditions for public housing at the time.

Over the same period, the number of dwellings owned by the Land and Housing Corporation is projected to fall by around 5,750 (having fallen by over 2,000 over the previous nine years)¹⁴. The decline is partly offset by a once-only supply of properties funded under the social housing economic stimulus, but may be expected to accelerate if nothing is done to address the critical under-funding of social housing.

The solution offered by the Auditor is to make the Land and Housing Corporation portfolio sustainable *within existing resources*. This is only possible (at least temporarily) if the portfolio is even more tightly targeted to a small group of households. However, it crucial to appreciate that this will fail to address the growing undersupply of housing that a very large number of low and moderate income households can access affordably. It will mean that more and more effort

will be required to provide support to assist those households as they struggle to sustain tenancies. It is not a solution.

The link between the lack of appropriate social, public and affordable housing in New South Wales and indicators of social disadvantage

The Committee asked what evidence is available to understand the link between the lack of appropriate affordable housing and social disadvantage. There is evidence for a clear correlation between housing stress (housing that is unaffordable to the tenant) and social disadvantage. This doesn't indicate a causal relationship between the two. What it is most likely to indicate is the very strong relationship between poverty and social disadvantage, and that the lack of affordable housing deepens poverty.

Housing affordability and disadvantage

As discussed above, housing costs (together other things, such as settlement patterns) drives spatial segregation – particularly in our cities.

Spatial patterns of advantage and disadvantage are presented across a wide number of dimensions in the *Social Health Atlas* (2013)¹⁵ produced by the Public Health Information Development Unit (PHIDU), at the University of Adelaide. This allows us to compare the areas experiencing the highest levels of housing stress among low-income households and those experiencing the highest levels of social disadvantage.

Seven (7) of the local statistical areas (LSAs) experiencing the highest rental stress were among the ten LSAs experiencing the highest levels of relative social disadvantage¹⁶. This was even more striking for low-income households experiencing mortgage stress, where nine (9) of the top ten LSAs were also in the top ten LSAs for social disadvantage. A particularly striking comparison is that nine (9) of the top ten LSAs for low-income rental stress were amongst the top ten LSAs for those who had difficulty or can't get where needed with transport. Another indicator of social disadvantage, eight (8) of the top ten LSAs for low-income rental stress were among the top ten LSAs in which those over 18 don't feel safe walking alone after dark.

A crucial observation from these clustering of measures of disadvantage and unaffordability is that, while low-income households locate in areas of relatively lower rental, this is not sufficient to alleviate housing stress, or to overcome social disadvantage and exclusion¹⁷.

Secure housing

A second important observation is that in areas of higher concentrations of stable and secure housing provided by social housing, social disadvantage and housing stress is reduced. Only half the ten LSAs with the highest concentrations of public housing were in the top ten LSAs for social disadvantage. Only two were in the top ten LSAs for rental stress.

While this does not provide any causal evidence that social housing reduces social disadvantage – or which of the benefits it provides might account for reduced social disadvantage – there are some reasons to suggest that both security and affordability play an important role.

The 2005 report by Peter Phibbs, *Housing assistance and non-shelter outcomes*¹⁸, explored the benefits of social housing for tenants.

“... public housing tenants who participated in the study perceive that the major benefits of their change in housing far exceed the immediate issue of shelter. That is, they value things that go beyond the provision of a dwelling. For example, they value the increased security of tenure available in their public dwelling, and the fact that they now have some control over their own environment. They also acknowledge that, on the whole, they are less depressed and consider they have better emotional wellbeing. Their experiences in public housing contrast markedly to some of their experiences in the private rental market where they often have been frequent movers, resulting in a number of associated problems including disjointed schooling for their children and a lack of engagement with the surrounding community.

Put differently, it is clear that for many respondents in the surveys there is a clear product distinction between receiving rent assistance as a private renter and living in public housing.

One compelling finding of the study involves the impact of the stress of inappropriate housing. For many respondents, the cumulative day-to-day stress in their lives seems to be so great that they are having trouble functioning. This appears to be a particular issue when children are involved, possibly because of additional stress issues relating to dealing with children living in inappropriate housing. Environmental psychologists refer to a concept of “environmental load”: when someone is overloaded, their ability to undertake even straightforward tasks is inhibited (Bell et al., 1996, pp.118-120). For many respondents, the improved housing seems to be reducing their environmental load to the point where they can start dealing with a number of other issues in their lives — including employment, health issues, etc.” (p70)

The main benefits reported were:

- Better health – particularly reduced depression, and including better nutrition, better medical access, and more income for health;
- Greater sense of safety because of better control over the security of the dwelling
- Improved educational performance – the reasons include better schools, increased happiness of the child and “because children now had more space and could do their homework without disturbance from, or fighting with, their siblings. It must be noted that for many households, the current housing situation was in marked contrast to a very mobile past that included a number of school changes.” (p73)
- It should be noted that while it was reported that people could reorganise their employment to meet other aspirations and households needs (eg, training), incentive to both increase and reduce employment were reported.

Employment and housing affordability

Education and employment create the opportunities to alleviate poverty– although the growing incidence of the working poor makes this less clear than it was, as low-pay, casual and insecure work increases. However, for those who are forced to live far from the jobs they are most likely

to find (particularly if they are lower skill workers or seeking a pathway from welfare to work), high travel costs can substantially reduce the return

The mismatch between such entry level jobs and affordable housing was highlighted by the Australians for Affordable Housing report, *Opening the Doors to Employment*. (2013)¹⁹. The report identified the 40 LGAs across the country with the highest number of entry level jobs such as carers, sales assistants, and cleaners. 13 of the 40 are in NSW.

It found that housing is unaffordable for jobseekers in all of the 40 regions where they are most likely to find employment. Workers in some occupations are more likely to need to pay more than half of their income on rent. For example:

- Carers and aides would need to spend more than half of their income on rent in 19 of the 40 areas.
- Sales assistants and salespersons would need to spend more than half of their income on rent in 32 of the 40 areas.
- Cleaners and laundry workers would need to spend more than half of their income on rent in 23 of the 40 areas

In 11 of the 40 areas (4 of these are in NSW) all of the workers considered would have to pay more than 50% of the average income for such jobs in housing.

Recently there have been strong suggestions that concentrations of public housing produce entrenched and intergenerational unemployment. While there is no doubt that targeting social housing more tightly has increased the concentration of people who are very disadvantaged in the labour market and a large proportion who are outside the labour market, the correlation does not seem to be as strong as is suggested.

Six (6) of the top ten LSAs with the highest concentration of public housing are among the top ten LSAs with the highest concentrations of people over 18 who are long term unemployed. However, this is just as strong a match as with long-term unemployment and housing stress (although only two LSAs are common). This also makes clear that concentrations of unemployment also occur in tenures other than public housing. Similarly, there has been considerable concern about inter-generational unemployment and public housing. However, only four (4) of the LSAs with the highest concentrations of public housing are amongst the top ten LSAs for youth unemployment.

None of these observations are intended to suggest that substantial efforts should not be made to support social housing tenants to access employment. It is one of the most important pathways out of poverty (together with adequate levels of income support). However, they do suggest that the tenure is not a primary contributor to unemployment, while stable, affordable and well located housing is an important factor in achieving employment.

Social service integration necessary to support tenant livelihoods and wellbeing

There has been considerable interest recently in 'social service integration'. However it is important to be clear what is meant by this term.

Wrap around services for complex needs

On one hand, it may mean that for tenants with complex needs, a range of services should be brought to bear in a co-ordinated and timely way and that these should be linked to the basic

need – secure housing. In some cases, these may be directed to responding to a particular need such as mental health, and sometimes they may also be directed to supporting the tenant to sustain the tenancy itself. This approach is exemplified in the ‘housing first’ approach to responding to homelessness.

The key to this approach is that the housing provider and the ‘case manager’ work closely together. In some models, such as the Common Ground model for homeless people, the services and the housing are co-located.

A supportive role for housing providers

While this is an important approach for tenants with complex needs, for the majority of tenants whose disadvantage is poverty and possible exclusion or disadvantage that has been compounded by unaffordable housing, such ‘integrated’ or ‘wrap around’ services are not at issue. In these cases, good information and referral, strong neighbourhoods and supportive communities and access to opportunities are required and should all be part of the role of the social or affordable housing provider – but this is not a matter of case management and integrated services.

An integrated services system

Another possible meaning of ‘integrated social services’ refers to the service system itself; and makes the very important point that, more often than not, some of the services needed by a client with complex needs are simply not available or are not available in a timely way or have poorly integrated eligibility criteria. The two such services that are most often cited are mental health support and appropriate, secure and affordable housing.

The *ACOSS Community Sector Survey 2013*²⁰ provides strong evidence of this. It is the only annual national survey of community welfare organisations and their capacity to meet needs and future priorities. The report found that, across the country, respondents reported that the services their clients need most were:

- Housing/homelessness services (61% of respondents)
- Mental health services (57% of respondents)
- Emergency relief for financial crisis (41% of respondents)
- Alcohol and other drugs support services (38% of respondents)

Not only does this identify the failure to provide an integrated services system, but it also indicate the strong connection between social disadvantage (as expressed by clients of community welfare services) and the lack of affordable housing.

Departmental integration

However, more recently the term has been used to refer to Departmental structure in human service departments. In effect it proposes two things:

That by structuring the delivery of the particular range of services provided by ‘mega’-human services department around local areas or regions, service delivery will be better integrated to meet client needs. As the web-site of the NSW Department of Family and Community Services says:

“Fifteen new districts have been created to enable more localised planning and decision-making, and improve links between senior service delivery management and frontline

staff. The new districts mirror the NSW Local Health Districts, allowing us to work closely and locally with one of our key stakeholders, NSW Health. These changes bring together the current local Ageing, Disability and Home Care, Community Services and Housing NSW client services and operations.”

While there is a strong argument for both a local approach to service delivery and to breaking down program ‘silos’, this approach is problematical in two ways – at least in so far as it applies to housing delivery. First, it introduces a management structure (and potentially a service delivery structure) that may lack any content knowledge of housing provision, potentially leading to poor local policy decisions. Secondly, and more serious, it has led to an approach that conceives the place of housing in this integrated service structure as the housing response for the principal clients of the human service department.

This narrows the role of social housing in a self-defeating and ad hoc way. It is convenient because it resolves the problem of a social housing system that is so seriously unable to meet demand, by defining demand in narrow, administratively driven, terms. However, it is ad hoc, because the ‘clients’ of the human service department are determined by administrative accident and fashion (the current preference for mega-departments is relatively recent and transitory), which bears only fragmented relation to those who are disadvantaged and excluded by the housing market. It is self-defeating because the integration of services with social housing and its tenants is only a fragment of the broad integrated service *system* discussed above, leaving those who are excluded (but still vulnerable) to be churned between social housing and an inappropriate private rental market.

Criteria for selecting and prioritising residential areas for affordable and social housing development

The principles that should inform the location of future development of affordable and social housing are relatively simple.

- They should provide good access to services – both general community services such as schools, or hospital, and more specialist support services.
- They should provide good access to transport and employment opportunities
- They should provide a mix of locations that mitigates against spatial segregation.

This suggests that new greenfield sites are unlikely to be appropriate. Conversely, while there is a strong financial incentive to trade off current social housing assets in high value areas for increased funds to increase supply, it must be recognised that once this happens the likelihood of future reinvestment in such areas is negligible. Such measures simply fuel social exclusion.

3. Recommendations on reform options

The following address both the immediate challenges of our social and affordable housing programs and the wider housing market context. Some of these measures have been discussed in passing in the earlier sections.

Ongoing funding partnerships with the Federal Government such as the National Affordable Housing Agreement (NAHA)

The adequacy of the funding arrangements for the social and affordable housing programs is fundamental. It is not a solution – nor is it sustainable – to limit operations to a level that fits within existing funding constraints as the NSW Auditor General’s report suggests.²¹ There are three reasons for this:

- The Land and Housing Corporation has a legal duty under the Residential Tenancies Act to maintain housing to an acceptable standard and a social duty to provide good quality housing to vulnerable households, as well as to maintain the long term value of the assets. As a result, continued underspending on maintenance is not a viable option.
- While there is no modelling in the public domain that shows the absolute size of the social housing portfolio that can be sustained within current Commonwealth funding through the National Affordable Housing Agreement (NAHA), State contributions and a rental income, it is clear that it could be substantially smaller than the current portfolio. The level of rationing required to meet this objective would mean that social housing would be restricted to the most needy and that many more tenants may require support thus increasing the costs associated with managing social housing. In addition, a smaller social housing sector would increase demand from needy households for other forms of housing assistance eg temporary accommodation and support in the private rental market. This could increase the costs which presumably must then be met by further reductions in supply. This is not sustainable.
- With only 10% of private rental stock affordable (but not necessarily available) to very low income households in NSW²² a failure to provide a response to the housing needs of a growing proportion of the population who the private rental market is failing is not sustainable public policy.

While the Commonwealth special purpose payments for housing between 1995-96 and 2011-12 (now under the NAHA) have fallen in real terms by a third (approximately \$200 million a year)²³, the state is no longer required to provide matching funds. Instead, it is required to meet the outcomes agreed to under the NAHA.

Reporting on the financial flows to social housing and other housing assistance in NSW is not transparent. It is practically impossible for the public to determine how much additional support is provided from State revenue on top of the funding from the NAHA. There is a clear need for increased State sourced funding to sustain and expand social and affordable housing provision.

Equally, the COAG Reform Council reported that the objectives and outcomes against which states and territories must report under the NAHA are not being achieved²⁴.

Under the Agreement, COAG committed to the objective that 'Australians have access to affordable, safe and sustainable housing'.

National Affordable Housing Agreement outcomes:

1. People who are homeless or at risk of homelessness achieve sustainable housing and social inclusion
2. People are able to rent housing that meets their needs
3. People can purchase affordable housing
4. People have access to housing through an efficient and responsive market
5. Indigenous people have the same housing opportunities as other Australians
6. Indigenous people have improved housing amenity and reduced overcrowding, particularly in remote areas

These outcomes are fundamental to assess genuine government effort to address housing unaffordability and its consequences. However, the outcomes are outside the control of the state housing agencies for whose programs the funds are provided, and do not provide measures of what outputs have been achieved by the State from NAHA funding.

In order to make effective use of the framework provided by the NAHA, Shelter recommends:

- That the NSW Government work with the other jurisdictions to strengthen reporting against the NAHA outcomes, to indicate what action will be taken by each jurisdiction to improve outcomes
- That, either through the NAHA or at a state level, FACS housing agencies report on the outputs and outcomes achieved for the NAHA funding received.
- That a designated State contribution to fund social and affordable housing (and related housing assistance) in NSW should be provided to complement funding received through the NAHA. The level of such funding should be set to at least halt the projected erosion of social housing supply – this is in the order of \$265 million, above whatever is currently provided, in 2014-15²⁵
- That in its negotiations with the Commonwealth, NSW pursue an objective of extending the National Partnership Agreement on Homelessness associated with the NAHA, to become an ongoing agreement. But failing that, that there be a commitment to maintain at least the current (2013-14) level of funding for specialist homelessness services. That is, that NAHA be increased by the amount currently provided under the NPAH.

However, such measures to improve the integrity of the funding partnership under the NAHA are insufficient to adequately address the shortage of affordable housing in NSW.

Commonwealth Rent Assistance (CRA) is an essential part of the mix to both support and expand social and affordable housing supply. CRA is income support payment that is fundamental to providing a measure of protection from poverty for those on social security benefits or Family Tax Benefit renting in the NSW (and particularly the Sydney) private rental market. Because of the current ceiling to CRA payments, it fails to provide affordability for low income renters. This was demonstrated in the 2013 report by the National Welfare Rights Network²⁶ which showed that 58,452 CRA recipients in NSW (one in seven) are in severe housing stress (paying over 50% of their income in rent). However, measures to address this fall outside the jurisdiction of the NSW Government.

Despite being an income support payment to tenants to increase the affordability of their housing, CRA can play a significant role in sustaining and expanding social and affordable housing supply. It does this by enabling rental income to be increased, without making social housing less affordable to tenants (unlike the increases in nominal public housing rents in the past which have been borne by the tenant. There are two options for such an approach:

- Currently tenants of community housing providers are eligible to receive CRA. As a result, community housing providers are able to charge a higher nominal rent (the proportion of the rent paid by the tenant¹) than public housing, because this can be calculated to ensure that the tenant is fully compensated from the CRA received, while ensuring that the after-housing income is the same as that of a public tenant in a similar situation.

The result is twofold. Rather than operating at a loss, this additional income allows community housing providers to make a moderate operating surplus. This funds the support and community building services that are provided for tenants, and provides the reserves need to fully fund life-cycle maintenance. However, the surplus also provides a sufficient income stream to fund moderate levels of debt to increase supply. The amount of debt that can be services can be increased if combined with other measures such as the National Rental Affordability Scheme (NRAS) incentives, land or other contributions

- For some time, there has been consideration of extending CRA to public tenants as well as community housing tenants. However, from the Commonwealth point of view, this would have a serious impact on CRA expenditures. To offset this, consideration has been given to replacing payments through the NAHA with CRA. It is usually suggested that the two payments are equal. However, in states such as NSW, with higher proportions of public

¹ This 'nominal' rent is only a proportion of the formal rent. In the case of public housing this is set according to market rents. The difference between this and the rent paid from the tenant is internally subsidised. Since this internal subsidy is unfunded (or partly funded by the use of NAHA funds as an operational subsidy rather than the capital funding such special purpose payments had largely been intended to be under the CSHA: quite explicitly in the 1984 and 1989 agreements). In the case of community housing providers, CRA plays this role – and more adequately.

housing, this would provide increased funding compared to the per capita allocation of the NAHA.

Because of the difficulty in achieving agreement between the jurisdictions on the redistribution of funding, it is probable that community housing providers will remain the most realistic avenue for increased levels of CRA becoming available to help sustain and increase social housing in NSW. Currently COAG has agreed to allow up to 35% of the social housing portfolio to be managed by community housing providers and attract CRA for their tenants. This means the transfer of public housing properties to the management of community housing providers – although this requires effective protections for tenants existing tenants and a meaningful choice of provider.

Currently less than 35% of the total social housing portfolio in NSW is managed by community housing providers. Transfers have largely stalled (unlike other jurisdictions, which have substantial programs of transfers), while the Land and Housing Corporation considers how to maximise the use of its portfolio to improve its sustainability. There is, however, a risk that this becomes silo approach to affordable housing policy, focused on LAHC assets, rather than the public policy objective.

Options the State could consider for future negotiations with its Commonwealth partners include:

- That the State recommence transfers to reach the current target set by COAG and thereby strengthen the social housing system in NSW.
- That the NSW Government, through COAG, negotiate increased targets for the growth of community housing and the associated CRA payments to community housing tenants.

The final area for co-operation between the State and the Commonwealth is in measures to support investment in social and affordable housing.

The most important is to once again provide specific government investment in social and affordable housing growth, noting that the NAHA funds do not currently achieve this outcome. Shelter NSW supports the national Shelter platform which calls for a dedicated Commonwealth growth fund.

As noted above, stronger income streams can also support borrowing to increase the supply of affordable housing. Realistically, any substantial growing in supply will be partly financed by debt – and it is worth remembering that for most of the life of the CSHA, public housing was funded by (cheap) government debt. The issue is how such borrowings and investment can be supported.

Currently the National Rental Affordability Scheme (NRAS) is the only such support (or incentive). NRAS has proved an effective vehicle to help reduce the cost of investment in affordable housing (including social housing). In NSW 1,858 affordable properties have been produced with NRAS support, and a further 4,654 are committed. The majority of these are though non-profit organisations. However, this is only half the per capita allocation that should be expected in NSW, and has been limited by the modest commitment to state matching

contributions. The Commonwealth has yet to decide whether to commit to further rounds of incentives following the initial 50,000 nationally.

However, other important measures have been proposed to support increased investment. These include: affordable housing bonds; Shelter NSW has recommended to the NSW Government that the government's Waratah Bonds be used to financial affordable-rental housing (including social housing); the NSW Council of Social Service has recommended social housing be included as a form of infrastructure investment and receive proceeds from the Waratah Bonds on a hypothecated basis²⁷; and a number of approaches have stressed the need for a limited form of credit support to manage risks to interest payments that may arise with subsidised rents. All of these provide a policy mix that can be co-operatively pursued between the State and the Commonwealth.

Shelter NSW recommends:

- That the NSW government commit to provide sufficient NRAS contributions to attract a per capita share of NRAS incentives; and that this be maintained for future rounds, if they are forthcoming.
- That though COAG or other inter-governmental forums, the State seek to explore national vehicles and credit support to raise finance for affordable housing.
- That the government's Waratah Bonds be used to financial affordable-rental housing (including social housing)

Market mechanisms and incentives

As discussed earlier, the most important change needed across Australia is to change the rental market from a site of speculative investment to one underpinned by long-term investors seeking moderate positive rental returns. Modelling by AHURI has shown that the modest reforms of the current negative gearing and CGT arrangement recommended by the Henry Tax Review would support such a change in the market.

Another effect of such a change in the nature of rental investment is that, like many European countries that already have such investment, landlords will value stable, long-term tenancies rather than relying on easy access to properties to meet speculative objectives. This increased security for tenants will significantly reduce the social disadvantage currently associated with the private market for low-income and vulnerable tenants. It would also enable greater legislative protections to be introduced.

One of the main reasons identified earlier for the high levels of rental stress is the ineffective allocation of available affordable housing to low-income tenants. Whether funded by private investment or public investment, a rental market that meets the needs of low income renters must include a substantial proportion of social landlords. This should be one of the objectives of housing policy in the NSW.

Increasingly, investment in affordable housing will involve private finance, and private developers in partnership with social landlords. Both to provide viable development and to moderate social exclusion, developments will need to be mixed in terms of both price and tenure. This, in turn will mean that social landlords should play a mixed role – providing stronger sources of income to improve viability and seamless management in mixed communities.

It will also require sustainable debt finance and private investment. We have discussed measures to support this in the recommendations of the preceding section.

Policy initiatives

The thrust of the preceding discussion has been to argue that an approach that continues to erode the supply of social housing and manage demand to restrict it to a very narrow target group is unsustainable. Moreover, it fails to acknowledge the fundamental changes in the rental market (and housing investment generally) that have made it an unsustainable option for those who are excluded from tightly targeted social housing.

Instead, we argue that a package of reforms is essential that is based on growth, rather than contraction.

We recommend that such a package include a number of elements:

- A growth target that would at least maintain the proportion of social housing at a fixed proportion of the population (historically 5-6%).
- That the social housing allocations match growth to a wider target group, thereby increasing the income streams and improving social sustainability
- That the growth be funded from a mix of debt, NRAS incentives and rental income streams partly subsidised by CRA. Such investment should be supported through a national approach to financing such as bonds and limited credit support

Planning law changes and reform

The role of the planning system was discussed earlier. There are three main measures that should be part of the planning system to both increase the supply of affordable housing and to moderate the spatial segregation of our cities. They are:

- The establishment of targets for affordable housing that provides for a mix of incomes and employees in a mix of jobs. Such targets might be regional delivery plans or in LEPs.
- The greater use of inclusionary housing mechanisms. While such mechanisms exist under the current Environmental Planning and Assessment Act, their use has been greatly restricted.
- While the mechanisms may be designed to mitigate the impact of, for example, the loss of low cost housing, they should be based on the notion of 'value-sharing' – sharing the unearned value created by public decisions, such as rezoning.

Such measures are discussed further in the Shelter NSW Update, *Capital value Uplift and affordable housing*,²⁸ released last year.

Shelter recommends:

- That affordable housing targets be introduced and inclusionary housing mechanisms be retained and facilitated in the NSW planning system.

Social benefit bonds

The idea of social benefit bonds was first raised in 2010 by then premier Keneally, and is supported by the O'Farrell government.²⁹ The first social benefit bond/scheme in New South Wales (and Australia) was announced in March 2013.³⁰

In November 2013, a report from a Parliamentary inquiry recommended the Government consider the potential of social investment bonds, *if any*, in the delivery of housing services as part of a general strategy to encourage funding diversity and increased collaboration with the private sector by non-profit service providers.³¹

More broadly, the concept of a social benefit bond is one way to operationalize various concepts of social investment. In the Commonwealth sphere, a notable relevant initiative was \$20 million of governmental grants to seed-fund a number of social enterprise development and investment funds, in 2010; this was part of a suite of Commonwealth initiatives to encourage social investment.³²

'Social investment', is a term which is used to cover a variety of mechanisms, but a core one seems to involve spending money (or mobilizing and deploying economic resources more generally) for a social/public/community benefit and in particular a call on private-sector resources or practices.³³ The social-investment 'turn' of the 2000s appears to differ from the scattered engagements that private-sector firms have had (and have) with delivery of human/social services through corporate sponsorships of NGOs' services, employee payroll-giving schemes, subsidies to corporate-branded showcase services (e.g. Ronald McDonald House Charities), etc., by giving primacy to the financing role of private-sector sources *and* (perhaps) to the delivery role of social enterprises.

They may include:

- social entrepreneurship
- philanthropic financing
- social benefit bonds ²

² The following definitions may be provisionally used for these mechanisms:

- A 'social entrepreneur' and 'social entrepreneurship' seem to be used for individuals who undertake commercial activities with a social or environmental mission (Nick O'Donohoe and others, 'Impact investments: an emerging asset class', JP Morgan Chase & Co, Rockefeller Foundation, & Global Impact Investing Network, 2010). 'Social enterprise' seems to be used to refer to a (non-profit or for-profit) commercial/trading entity whose mission is about products are human/social or environmental services (and in the case of a for-profit business, where most of its trading surpluses are deployed towards its social mission) (Ingrid Burkett, 'Financing social enterprise: understanding needs and realities', Foresters Community Finance, 2010).
- 'Philanthropy' refers to private initiatives, especially financing through gifts, for social purposes. 'Social benefit bonds' (or social impact bonds, variously called) are a particular vehicle through which government arranges the financing of certain social programs by raising capital from private investors; the arrangement involves a government contracting a private-sector financing

It is not yet clear whether such mechanisms are vehicles to increase the supply of social housing in any meaningful way. Shelter NSW is currently undertaking a project to investigate the role and potential of the mechanisms to increase the supply of non-profit affordable-rental housing (of which social housing is a subset). We expect that the different mechanisms will have differing relevance to this matter.

For example, community-housing associations are social enterprises and thus operate within the discourses and practice of this mode of doing business. Social entrepreneurship is associated with this business model. Some welfare agencies are also morphing into or developing social enterprises.

Private philanthropists have not generally developed dwellings for disadvantaged households in New South Wales, as was the case in parts of England in the years before and just after the turn of the 20th century.³⁴ But private (charitable) fund-raising has been important for financing some forms of supported housing, e.g. crisis housing, housing for older people.

There is a broad public-policy framework around investment in socially/environmentally beneficial services. This is wider than social impact bonds. In terms of private investment in affordable rental housing, the National Rental Affordability Scheme (NRAS) has been a vehicle for bringing in private-sector finance and providers into the field of bespoke affordable-rental housing, and it is given as an example of 'impact investing' in a Rockefeller Foundation report on 16 case studies world-wide of impact-investing initiatives.³⁵

The social benefit bond approach to date emphasizes measurable savings to government over a fixed period which can be used to pay investor returns. The model lends itself potentially well to

intermediary or service provider to finance a social services program; the government paying a bond-issuing organization or the delivery provider an agreed return (on the loan) depending on achievement of performance targets; calculating the loan repayments as a function of government cost savings attributable to the program's success (Emily Bolton and L Savell, 'Towards a new social economy: blended value creation through social impact bonds', Social Finance, London, 2010). Social benefit bonds are one of a suite of 'social impact transactions' or 'social impact investment', terms used for pay-for-performance mechanisms that bring new capital to social and environmental services (Kimberlee Cornett, 'The Kresge Foundation's social impact transactions', *PD&R Edge*, December, 2013).

- 'Social investment' is an investment strategy by businesses that considers social issues as well as financial returns (Jessica Freireich and K Fulton, 'Investing for social and environmental impact: a design for catalysing an emerging industry', Monitor Institute, 2009). 'Socially responsible investment' is a subset of that: this is where financially-motivated investors eschew certain sorts of investments to avoid social or environmental harm (World Economic Forum Investors Industries with Deloitte Touche Tohmatsu, 'From the margins to the mainstream: assessment of the impact investment sector and opportunities to engage mainstream investors', World Economic Forum, Geneva, 2013). 'Social impact investment' is another subset: it is that social investing that actively seeks to have a positive social or environmental impact (Centre for Social Impact, 'Report on the NSW Government social impact bond pilot', University of NSW, 2011). An impact investor might have a primary intent of optimizing financial returns, with a floor for social or environmental impact.

areas of cost offsets with clients with complex and high cost needs. The notion of social benefit bonds might have some value for particular types of services in the field of housing provision, but not all. It seems public-policy makers are more ready to consider social benefit bonds for services to homeless people or for supported housing situations.³⁶

Social Ventures UK is using the social benefit bond approach to finance a supported housing development for older people in England.³⁷ Nick Salisbury suggests that a social impact bond could be relevant to finance services to support specific disadvantaged groups built around accommodation needs (e.g. ex-offenders leaving prison), but, in contrast, would be more difficult to apply to *general-needs affordable housing*.³⁸ It is interesting to note that the South Australian government, in floating ideas for social impact bonds around housing, has identified four possible areas none of which is directly about dwelling supply.³⁹

There have been, and are, a number of proposals by academic and nongovernment advocates around investment vehicles to finance affordable-rental housing. Shelter NSW has recommended to the NSW Government that the government's Waratah Bonds be used to financial affordable-rental housing (including social housing); the NSW Council of Social Service has recommended social housing be included as a form of infrastructure investment and get proceeds from the Waratah Bonds on a hypothecated basis⁴⁰; and the AHURI has published a number of reports on financing (lending) to community-housing providers (mainly focused on the national sphere not New South Wales).⁴¹

It may be that the mechanisms noted above will have most potential to increase the supply of only a certain range or type of human services to tenants in social housing. The relevant services are those that help those tenants to maintain and enhance their housing wellbeing.⁴² Social-housing tenants are expected to 'be able to sustain a successful tenancy, with or without support'⁴³; this means that services that help tenants maintain their tenancy on an independent basis are important. Social-housing tenants might also under-use services that they did not use when they were homeless or living in housing tenures other than social housing, and thus are deprived of the benefits that should come from secure housing (as social housing still generally is).⁴⁴

It is most likely that social impact bonds will be most successful when applied to specialist homelessness services. As noted above, it appears that most if not all of the 'housing' related initiatives of a social benefit bond nature have been for welfare services to homeless people.⁴⁵ The homelessness pilots in London and Massachusetts USA focus on making 'housing first' work for complex-needs homeless clients⁴⁶; it would be useful to gauge whether these or other social investment approaches might be used to accelerate the prevention of homelessness.

It is not yet possible to make firm recommendations about social impact bonds or related mechanisms. The Shelter NSW project hopes to better evaluate the potential offered by these mechanisms. The questions it will consider are:

- What is 'social entrepreneurship' and how might this approach/model of social policy apply to non-profit agencies (including community-housing providers) engaged in housing wellbeing for disadvantaged households and individuals?

- What is the role and potential (opportunities, challenges) of private philanthropy in financing
 - affordable-rental housing (including social housing)?
 - relevant welfare services to tenants of affordable-rental housing (including social housing)?
- What is the role or potential (opportunities, challenges) of social benefit bonds in financing
 - affordable-rental housing (including social-housing)?
 - relevant welfare services to tenants of affordable-rental housing (including social housing)?
 - specialist homelessness services?

Shelter NSW will be happy to make the results of the research available to the Committee when it is completed in June 2014.

Notes

- ¹ Australian Bureau of Statistics, *Housing finance, Australia*, ABS 5609.0, Dec 2013
- ² National Housing Supply Council, *Housing Supply and Affordability Issues 2012-13*, March 2013
- ³ J Yates, M Wulff & M Reynolds, *Changes in the supply of and need for low rent dwellings in the private rental market*, AHURI Final Report No. 61, 2004
- ⁴ National Housing Supply Council, *Housing Supply and Affordability – Key Indicators*, 2012
- ⁵ NSW Auditor-General *Making the best use of public housing*, Report to Parliament, 2013 Appendix 1, Figure 1
- ⁶ Sources include history of public housing on HNSW web-site and history of the CSHA Commonwealth Parliamentary web-site
- ⁷ In NSW, the response to falling rental income was to increase the proportion of income paid in rent, add additional charges (such as water) and expand the range of household income included in the calculations.
- ⁸ J Hall & M Berry, *Operating deficits and public housing: policy options for reversing the trend*, AHURI Final Report No. 55, March 2004
- ⁹ P Soos, *The history of Australian property values*, 2013
<http://www.macrobusiness.com.au/2013/02/the-history-of-australian-property-values/>
- ¹⁰ C Johnston, *Capital value uplift and affordable housing*, Shelter Update, 2013
<http://www.shelternsw.org.au/publications/policy-papers/housing-supply-policy-papers?view=docman>
- ¹¹ C Hamilton, *Overconsumption in Australia*. The Australia Institute, Discussion paper No. 49 2002
- ¹² National Housing Supply Council, *Housing supply and affordability issues 2012-13*, 2013 Table 2.9
- ¹³ NSW Auditor-General's Report to Parliament (2013) Appendix 1, Figure 4 (from HNSW 2011 (modelled in 2008))
- ¹⁴ NSW Auditor-General's Report to Parliament (2013) Exhibit 1 p12
- ¹⁵ Social Health Atlas of Australia. 2013: <http://www.publichealth.gov.au/interactive-mapping/>
- ¹⁶ http://www.publichealth.gov.au/interactive_mapping/2012/aust_multiple_2012/nsw/atlas.html
- ¹⁷ Understanding and measuring poverty and disadvantage has moved beyond a person's income and assets, such as owning their home, to include other essentials for their participation in society, such as access to education, health services and transport, and non-material aspects such as stigma and denial of rights. The concept of social exclusion captures the many overlapping factors that may exclude a person from society, rather than income alone. (Brotherhood of St Laurence)
- ¹⁸ P Phibbs, *Housing assistance and non-shelter outcomes*, Australian Housing and Urban Research Institute, Final report No. 74, 2005
- ¹⁹ Australians for Affordable Housing, *Opening the doors to employment*, 2013
<http://housingstressed.org.au/wp-content/uploads/2011/09/Opening-doors-to-employment-2013.pdf>
- ²⁰ ACOSS, *Australian community sector survey 2013: national report*, ACOSS Paper 202. 2013
- ²¹ NSW Auditor-General, *Making the best use of public housing*, Report to Parliament, 2013
- ²² Rental Bond Board, September 2012 ('M3: 'Proportion of rental and purchase stock that is affordable'),
- ²³ NSW Auditor-General's Report to Parliament (2013) Exhibit 14 p21
- ²⁴ COAG Reform Council, *Affordable housing 2010-11: Comparing performance across Australia*, 2012

²⁵ NSW Auditor-General's Report to Parliament (2013) Figure 9: Financial summary of LAHC's projected operating result 2011-12 to 2016-17 (p48)

²⁶ National Welfare Rights Network (2013) *A home on the range or a home out of range? How Commonwealth Rent Assistance fails low income Australians*

²⁷ Craig Johnston, 'Making futures for social housing', *Around the House*, no.94, September 2013, p.6; Council of Social Service of NSW, *Sharing the benefits: making NSW fairer — NCOSS pre-Budget submission — social and economic priorities for a fair and sustainable community: 2014-2015 state budget*, October 2013, p.36.

²⁸ C Johnston, *Capital value Uplift and affordable housing*, Shelter NSW Update 2013

²⁹ L Roth, 'Social impact bonds', ebrief 17/2011, NSW Parliamentary Library Research Service, 2011.

³⁰ 'UnitingCare Burnside's Newpin Program chosen for first Australian Social Benefit Bond', <www.newpin.org.au/home/39-newpin-in-the-news>.

³¹ Committee on Community Services, Legislative Assembly, 'Outsourcing community service delivery: final report', report 2/55, NSW Parliament, November 2013, p.82. The Committee's caution on the application of the social benefit bond concept to housing was based on findings from an AHURI study on vehicles to encourage private-sector investment in community-housing, which were pessimistic about private-sector interest in financing community-housing. (The study was Sean McNelis, David Hayward and Hal Bisset, 'A private retail investment vehicle for the community housing sector', AHURI Final Report 21, 2002). That study predated the establishment of the National Rental Affordability Scheme. It has been followed by more recent AHURI studies by advocates of dwelling-supply bonds (e.g. Julie Lawson, Vivienne Milligan and Judith Yates, 'Housing supply bonds: a suitable instrument to channel investment towards affordable housing in Australia?', AHURI Final Report 188, 2012; Julie Lawson, 'The use of guarantees in affordable housing investment: a selective international review', AHURI Positioning Paper 156, 2013).

³² Department of Education, Employment and Workplace Relations, *The social enterprise development and investment funds: progress report*, June 2013; Rosemary Addis, John McLeod and Alan Raine, *Impact — Australia: investment for social and economic benefit*, Department of Education, Employment and Workplace Relations & JBWere, March 2013.

³³ Alex Nicholls with Cathy Pharoah, *The landscape of social investment: a holistic topology of opportunities and challenges*, Skoll Centre for Social Entrepreneurship working paper, Said Business School, Oxford University, 2008, p.11. The term 'social investment' covers a number of distinct but related strategies to resource social and environmental services and causes (Nicholls, p.12).

³⁴ P Malpass, 'Lessons from the past', in Smith Institute (ed.), *Rebuilding the relationship between affordable housing and philanthropy*, London, 2013, pp.76-79.

³⁵ Thornley, Wood, Grace & Sullivan,, *Impact investing: a framework for policy design and analysis*, p.9, 24, 28.

³⁶ The first social benefit bond addressing rough sleeping is the Street Impact program in London: <www.mungos.org/press_office/1479_street-impact-new-support-for-people-who-ve-slept-rough>. The second social benefit bond launched in the USA addresses chronic homelessness in Massachusetts: <www.mhsa.net/matriarch/MultiPiecePage.asp_Q_PageID_E_57_A_PageName_E_WhatwedoHomeandHealthforGood>.

³⁷ Social Finance UK, *Why should we care about housing?*, at <www.socialfinance.org.uk/our-impact/why-should-we-care-about-housing>. The Young Foundation (England) gives a hypothetical example of a housing program that is basically accommodation support for older people to get social benefits and fiscal benefits from them *aging in place* (Geoff Mulgan, Neil Reeder, Mhairi Aylott and Luke Bo'sher, *Social impact investment: the challenge and opportunity of social impact bonds*, Young Foundation, 2011, p.26).

³⁸ Nick Salisbury, 'Is social investment relevant?', in Smith Institute (ed.), *Rebuilding the relationship between affordable housing and philanthropy*, London, 2013, p.55. He dotpoints a number of problems, which are worth considering.

³⁹ Government of South Australia, *Building a stronger society: a discussion paper on social impact investment*, Adelaide, 2013, p.22. The 4 areas are: a transition program for young people leaving formal care into secure housing; an intensive outreach program for rough sleepers; innovative approaches to independent living for people with disabilities; supporting homeless young people into employment.

⁴⁰ C Johnston, 'Making futures for social housing', *Around the House*, no.94, September 2013, p.6; Council of Social Service of NSW, *Sharing the benefits: making NSW fairer — NCOSS pre-Budget submission — social and economic priorities for a fair and sustainable community: 2014-2015 state budget*, October 2013, p.36.

⁴¹ J Lawson, M Berry, V Milligan and J Yates, 'Facilitating investment in affordable housing — towards an Australian model', *Housing Finance International*, September 2009, pp. 18-25; Julie Lawson, V Milligan and J Yates, 'Housing supply bonds: a suitable instrument to channel investment towards affordable housing in Australia?', AHURI Final Report 188, 2012; Julie Lawson, 'The use of guarantees in affordable housing investment: a selective international review', AHURI Positioning Paper 156, 2013.

⁴² The term *housing wellbeing* is used here as a convenient summary of the totality of circumstances that would make for a beneficial housing situation for a consumer (in any 'tenure'): the affordability of the housing service, the security or stability of occupancy, the condition and amenity of the dwelling, the 'appropriateness' in terms of any special need (e.g. numbers of bedrooms, disability accessibility, etc.), and the relation of the dwelling and the resident to their neighbourhood (its built form and the other people). We might generally characterize the housing wellbeing of people who experience chronic and acute homelessness as low, and of people who own their own home, are affluent and live in well-located suburbs as high.

⁴³ Housing NSW, 'Eligibility for social housing policy', 25 March 2013.

⁴⁴ A previous consultancy report for Shelter NSW looked at support services for social-housing tenants: Jon Eastgate and Paula Rix, *'We look after our neighbours here': support services for NSW social housing tenants*, Shelter Brief 52, 2012.

⁴⁵ See note 36, above.

⁴⁶ 'Housing first' is a particular public-policy intervention to address the housing and other needs of homeless people centred on provision of secure and affordable dwellings, with backup welfare services providing 'accommodation support' (Guy Johnson, S Parkinson and C Parsell, 'Policy shift or program drift? Implementing Housing First in Australia', AHURI Final Report 184, 2012).