

INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE HOUSING

Organisation: Compass Housing Services Co Ltd
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Inquiry into social, public and affordable housing

Submission to the NSW Legislative Committee on Social, Public and Affordable Housing



The Director
Select Committee on Social, Public and Affordable Housing
Parliament House
Macquarie St

The Director,

RE: Submission for the Select Committee on Social, Public and Affordable Housing

On behalf of Compass Housing Services Co Ltd (Compass Housing), I am pleased to submit this response to the Parliamentary Inquiry on Social, Public and Affordable Housing.

As one of Australia's largest and most successful not-for-profit housing providers, we value this opportunity to inform the State Government of the status and benefits of the community housing sector and its vital role in addressing the problems caused by housing supply shortages, demonstrate its ability to innovate and expand the current housing stock and its important role as a conjugant of implementation of government policy and the attraction and engagement of private sector including but not limited to private financiers .

It is of great pleasure that we submit the following submission that it may assist the State Government in informing policy and the strategic direction of Social, Public and Affordable Housing in New South Wales for many years to come.

Yours faithfully

Greg Budworth
*Chief Executive Officer & Executive
Director*

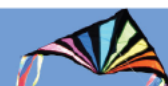
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Introduction

This is a very timely inquiry. Compass Housing Services (Compass), one of Australia's leading community housing providers, welcomes the opportunity it provides to highlight the key issues surrounding public, social and affordable housing in NSW and Australia. It also provides an opportunity to highlight the innovation that is underway in these sectors that could, with some public policy flexibility and initiatives aid to reduce the significant housing stress being experienced at this time and indeed lead to an era of new public and private investment and growth in supply in public and affordable housing stock.

The Compass submission showcases what a leading CHP is already delivering in terms of housing management, tenant empowerment, community development and housing supply. But it also indicates what more could be achieved in terms of private leverage and public outcomes, if our government partners embraced some of the innovations we seek. We add immediately that in our view what is required of government is innovation and clarity of purpose more than extra resources. Indeed, our approach is fundamentally about enabling government to sweat its existing assets better through a new partnership with the Community Housing sector and leading enterprises such as Compass and the extra investment and expertise we can bring to bear on meeting housing need enabled by our own balance sheets, diverse income streams that are unavailable to public housing departments and capacity to leverage via cost-effective debt financing from the market.

Our submission goes into detail on the current and potential role of community housing providers in meeting increasing housing need in NSW. In this introduction we would draw attention to the following strategic innovations and policy clarifications required to meet the needs of the moment:-

1. Greater clarity from government about their vision for public housing, the future of the stock currently under the management of the Department of Housing and their objectives in relation to the existing and future tenants of public housing. There has been some silence on these issues since 2011 though in reality no recent state government has had a clear vision about the role they say public housing playing in the overall housing system or the contribution they think public housing makes to the lives of its tenants. 'What is the purpose of public housing and who should have access to it?' are fundamental questions which need to be answered. Is it for the very poor and needy and for the long term – in some cases this means consecutive generations of families – or is meant to be a short term support enabling tenants to subsequently access other forms of housing and 'staircase' out of public housing into for example shared equity ,private rented or indeed home-ownership?
2. Greater clarity from government about their vision for Community Housing Providers and the role they should play in delivering outcomes both for existing public housing tenants and in providing a variety of housing solutions and tenures. Although there has been some small scale transfer of stock there has as yet been no commitment to a large scale program of stock transfer – which we stress, does not require full transfer of title to be attractive though it does require a longer lease arrangement than currently envisaged.
3. The previous Federal government worked through COAG with state governments to agree an approach which foresaw 35% of state government public housing stock being under CHP

management and contained within the National Affordable Housing Agreement (NAHA). This would mean that approximately a further 25,000 public housing units/homes in NSW would ultimately come into the CHP sector, enabling the sector to leverage both the income streams and Commonwealth Rent Assistance (CRA) to both invest in the existing homes and, with the right approach, add new homes to the housing stock. It is difficult to understand why the same approach could not be proceeded with under this government, especially given the precedent in Queensland where the State government has radical ambitions to transfer fully 90% of public housing stock to the CHP sector.

4. The estimated loss to the social and affordable housing system from 3 years of CHPs not having the additional 25,000 public housing properties under management within the 35% cap in the NAHA and the previous state target is \$214 million and the consequential lack of additional leveraging of further tens of millions of dollars.

Note: this is not just a spur to emulate Queensland though we hope that that will be the result. It's also that unless NSW responds with its own stock transfer program there is a risk of the CRA and leverage being lost to NSW as Queensland will, on current proposals, take most of what CRA has been budgeted for nationally as part of the earlier stock transfer deal between the federal and state governments. So we ask simply that the NSW Government return to the '35%' target previously agreed as this will deliver more and better outcomes – a better bang for the public buck – than is available via public housing management alone.

Background

Compass Housing Services Co Ltd. (Compass) is a not for profit organisation, registered in 1985. Compass Housing primarily aims to alleviate the hardship of housing stress for low-to moderate-income-earning households by providing secure and affordable housing and delivering housing products for disadvantaged people who have difficulties sourcing adequate and affordable housing.

Compass is the largest regional housing provider in Australia, currently managing 3,245 properties. Compass operates from ten facilities: a head office and nine branch offices in NSW. These branches include a specialist Affordable Housing office, a Homelessness project and also a Community Hub, which we facilitate and partner with many organisations and the community to deliver a range of services. Compass Housing not only provides social, affordable and homeless housing options to those in need we also provide disability, supported and indigenous housing across NSW.

Compass operates in the Newcastle, Lake Macquarie, Wyong, Gosford, Maitland, Port Stephens, Cessnock, Singleton, Upper Hunter, Muswellbrook, Broken Hill, Central Darling, Dubbo and Broken Hill LGA's. Compass' head office and branch structure allows for continued growth of specialist skills over the whole organisation independent of the number of additional service centres or branches created.

Community housing is an integral part of the housing system and represents 88% of Compass' entire housing portfolio. Community Housing aims to provide safe, secure, affordable and appropriate rental housing.

Under our community housing portfolio Compass has leasehold properties which we lease from the open market and receive subsidies from Housing NSW and we also have capital properties which we manage for Housing NSW.

Community housing provides short, medium and long term accommodation and is defined as rental housing provided by not-for-profit community based organisations at below market rent for very low to moderate income households.

Compass continues to work diligently, as it has for the last 28 years of operation to provide quality community housing across NSW and will continue to work with Governments, our stakeholders and our support partners to increase housing opportunities throughout Australia. In 2012-2013 Compass signed 610 new leases under our community housing portfolio, playing a key role in alleviating the pressures of 55,186 (2012) applicants waiting for community (and social) housing in NSW alone.

Compass continues to provide housing assistance on a basis which provides opportunities for participatory management, and constructive links with community development and support services in sustaining their tenancies.

Community housing waiting lists are growing as more and more disadvantaged households find it harder to find appropriate accommodation in the private rental market.

For your targeted client group we aim to be **'your direction home'**. We continuously work to increase the supply of housing for our potential clients, properly maintaining our housing assets and assisting clients in sustaining their tenancies.

a. Projections of future social, public and affordable housing supply and demand to 2020

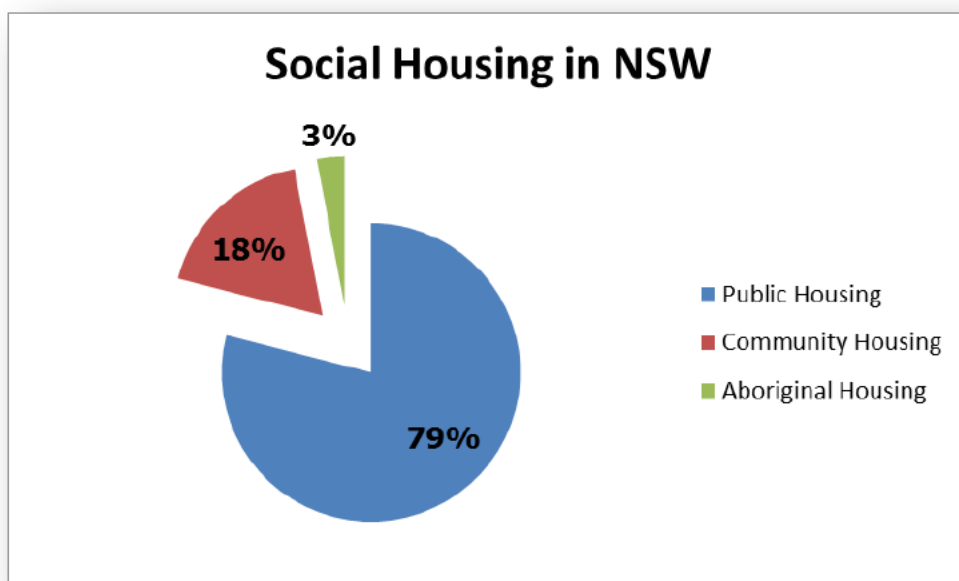
To examine the projections of future social, public and affordable housing supply and demand to 2020 we must first define the various housing types.

What is Social Housing?

Social housing is a broad term that encompasses a number of different types of housing.

Social housing in NSW can be categorised into four (4) main streams; Public housing which is funded and delivered directly by government and through Housing NSW Community housing which is subsidised by government but delivered through Not-for-profit housing

Aboriginal housing which is owned by the Aboriginal Housing Office, and Managed by Housing NSW on behalf of the Aboriginal Housing Office Indigenous community housing which is generally owned by Indigenous Community housing organisations, 60 per cent of which are Aboriginal Land Councils.¹



What is Public Housing?

The Australian Government regards public housing as 'housing that is owned and managed by a State government authority and it is directed towards lower-income people.'²

Under the New South Wales Government's 2005 'Reshaping Public Housing' reforms, government owned housing is targeted to people on low-incomes who need support services to help them live

¹ Ms Maura Boland, Executive Director, Policy and Strategy, Housing NSW, Evidence, 7 April 2009, p 14

² Ms Clare Wall, Senior Housing Advisor, National Rental Affordability Scheme, Department of Families, Housing, Community Services and Indigenous Affairs, Evidence, 10 June 2009, p 2

independently. This includes the frail elderly, homeless people and people with a disability, as well as people on low incomes who have problems accessing affordable housing in the private rental market.³

What is Affordable Housing?

Affordable housing is housing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs. As a rule of thumb, housing is usually considered affordable if it costs less than 30 percent of gross household income.

In this context, affordable housing refers to housing that has been developed with some assistance from the NSW and/or Commonwealth Governments, including through planning incentives. It may include a range of housing types and sizes, including single or multi-bedroom units or houses, as well as studio apartments. It is only available in some locations and eligibility criteria apply.

Affordable rental housing may be owned by private developers or investors, local governments, charitable organisations or community housing providers. It is usually managed by not for profit community housing providers, and sometimes by private organisations.

Current Housing Situation

Australia urgently needs to expand the stock of affordable rental housing. The housing supply gap is having a direct impact on housing affordability for both renters and home purchasers. Most of this impact is on low and moderate income earners who were not home purchasers before the housing boom commenced in the late 1990s.

The affordability of the private rental housing market has declined in the last 12 years, particularly for those households on low or fixed incomes.¹ Between September 2006 and September 2009, real rents increased by 12 per cent. Key workers and households on moderate incomes are having difficulty saving with rising rents and increasing house prices.

This is not a new problem – the shortage of affordable housing and the pressure on renters has been building for over a decade. In 2009, the National Housing Supply Council reported that the supply of affordable rental dwellings for lower income households fell in both absolute and relative terms in the ten years to 2006, despite a 20 per cent growth in the total number of private rental properties (Figure 1). In 2006, the estimated shortfall in the supply of affordable rental housing was around 251,000 dwellings.

³ Submission 51, New South Wales Government, p 21

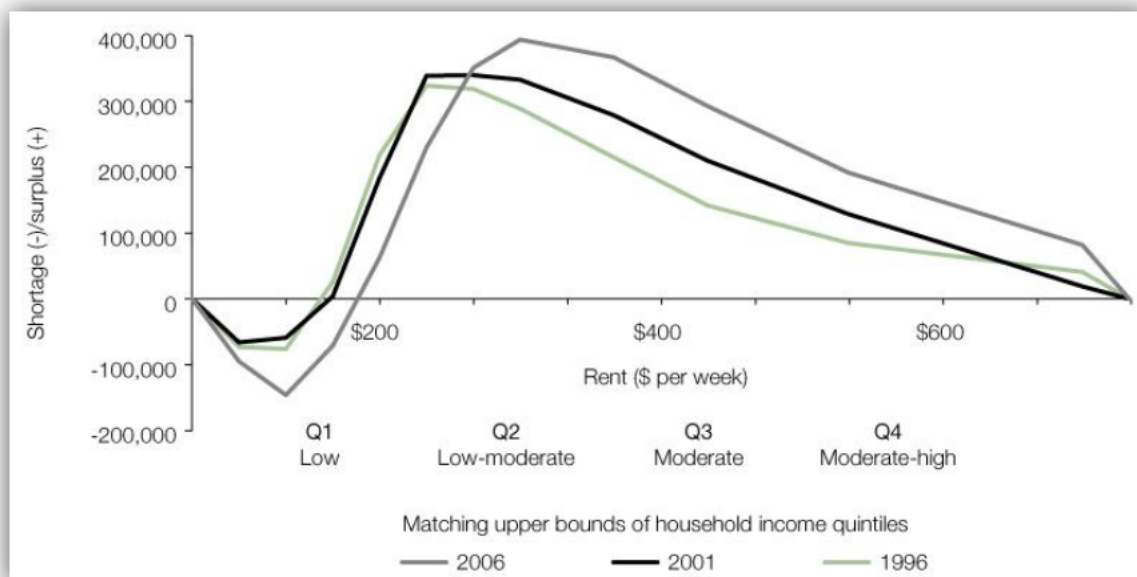


Figure 1 - Shortage and/or surplus of affordable private rental dwellings, 1996-2006

Notes:

1. Of the dwellings affordable for lower income private renters in the lowest two quintiles of the income distribution, 481,000 of these were occupied by households in the top three quintiles of the income distribution. This reduced an 'apparent surplus' of 230,000 affordable dwellings to a shortage of 251,000 affordable and available dwellings
2. Rents are in real terms as at 2006.⁴

Figure 1 shows that in 2006 there was a shortage of 146,000 in the private rental sector with rents below \$115 per week (affordable for those with gross household incomes below \$20,000 per year). This represents a worsening of the absolute shortage of private rental dwellings that are affordable for low income households in 2006 compared with 2001 or 1996.

Public housing has traditionally been a safety valve for the private rental market and a stepping stone to home ownership for low and moderate income earners. However, at 4.5 per cent of Australia's total housing stock, public housing cannot provide a realistic alternative to the private rental market for all low income earners. Public housing stock has necessarily become increasingly rationed to the most disadvantaged and, while private rents remain high, demand for public housing will continue to grow.

Demand for public rental dwellings is projected to increase over the next twelve years, and will be felt most keenly in Melbourne (37 per cent), Perth (53 per cent) and all of South

⁴ Source: Australian Government (2009) *National Housing Supply Council - State of Supply Report*, Canberra p97.

Australia – Adelaide (24 per cent) and rest of the state (29 per cent). Figure 2 shows that while recent initiatives will increase the supply of social and affordable housing up to 2012, without continuing strong investment, stock will reduce over time to 2023, and the supply-demand gap will continue to increase.

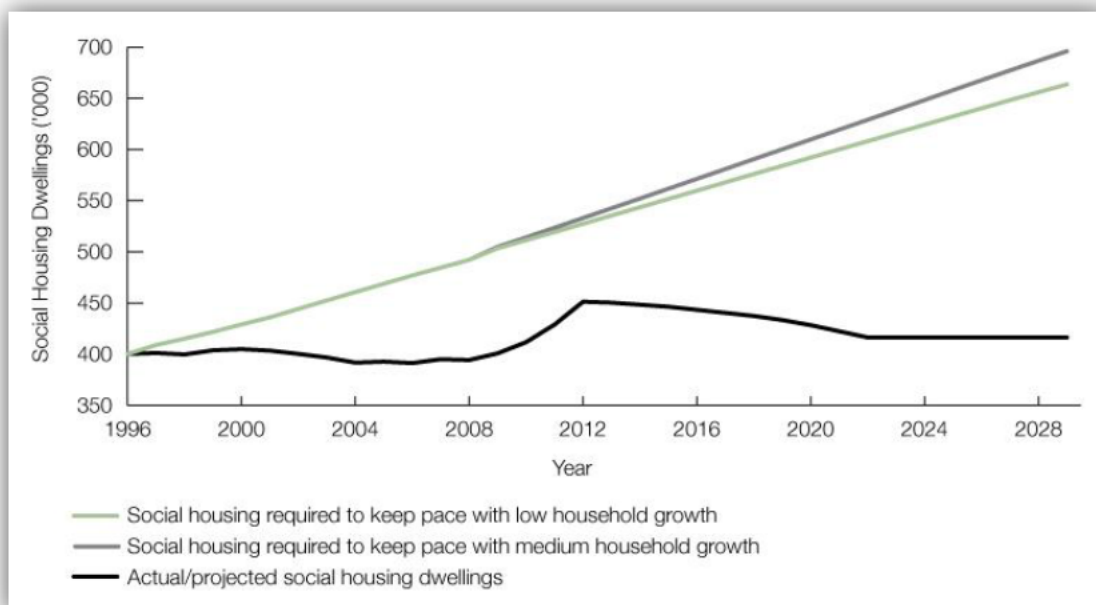


Figure 2 - Social housing demand and supply projections

Figure 2 shows social housing demand and supply projections for Australia from 1996 to 2028.⁵

It is projected that the supply of social housing dwellings required to keep pace with:

- Low household growth will need to increase to just over 650,000 by 2028; and
- Medium household growth will need to increase to approximately 662,000 by 2028.

While recent initiatives will increase the supply of social housing dwellings to a projected 450,000 by 2013, stock will reduce over time, to around 415,000 by 2023 in the absence of continuing strong investment. This figure is projected to remain steady until 2028.

Over the 15 years to 2023, demand for rental accommodation is forecast to increase by 21 per cent. Overall, the highest demand will be at the lower end of the housing market. Based on the current mix of public and private dwellings, 93,000 additional public rental dwellings and 387,000 private rental dwellings will be needed by 2023. Queensland and Western Australia are under particular pressure, while the combined rental demand of the two largest states, New South Wales and Victoria, will amount to over 270,000 dwellings.

⁵ **Source:** A Progress Report to the Council of Australian Governments from Commonwealth, State and Territory Housing Ministers – Implementing the National Housing Reforms, November 2009 published by the Victorian Government Department of Human Services on behalf of the Housing Ministers Conference available at the [Council of Australian Governments website](#) p.16

It is projected there will be a:

- 28% increase in demand for public rental dwellings from 337,888 in 2008 to 431,277 in 2023.
- 20% increase in demand for other rental dwellings from 1,932,839 in 2008 to 2,319,858 in 2023.
- 21% increase in demand for total rental dwellings from 2,270,727 in 2008 to 2,751,130 in 2023.⁶

The situation in NSW

NSW is accumulating a large shortfall in housing, mostly in and around Sydney. This demand pressure can be seen in low residential vacancy rates and rising rents. The ANZ Bank, for example, estimates that the 'negative housing balance' in New South Wales during 2011 was 110,000 dwellings and that this shortfall is rising, as population growth continues to outstrip the supply of new dwellings. In comparison, Queensland was estimated to have the second largest 'negative housing balance' of 30,000 dwellings.⁷

Australia could be short of nearly 500,000 dwellings within 10 years, which would push up house prices and rents, if population growth and low construction levels continue, the Housing Industry Association has forecast. And NSW is likely to bear the brunt of it because more than half a million dwellings will be needed in the state in the coming decade to meet demand. The national shortage, which now stands at 109,200 dwellings, will hit 466,000 in 2020 if trends continue the HIA forecasts. To meet demand, 1.92 million dwellings will have to be built in the next 10 years, compared with 1.5 million developed in the past decade.⁸

The report names NSW as the state likely to have the biggest housing shortfall in 2020. A 232,600 shortfall is expected in NSW by 2020, based on an anticipated population of 10.2 million by 2056. To meet demand, 511,800 dwellings need to be built in NSW in the coming 10 years, about 111,000 more than were built in the past decade. The report projects that the strongest housing demand between 2011 and 2020 will be in the *Queensland centres of the Gold Coast, Brisbane and Ipswich*, followed by the Perth area of Wanneroo and Melbourne. We're starting to feel the pinch right about now.⁹

The greatest housing supply challenge is in New South Wales which, under HIA's medium build rate scenario¹, could reach a dwelling shortage of 155,700 dwellings by 2020 in the absence of sustained policy reform.

Under the same scenario, the projected dwelling shortages at 2020 in the other states and territories are: 104,200 dwellings in Victoria; 112,000 dwellings in Western Australia; 91,800 dwellings in

⁶ <http://www.dss.gov.au/our-responsibilities/housing-support/publications-articles/homelessness-general/regulation-and-growth-of-the-not-for-profit-housing-sector-discussion-paper?HTML#p1>

⁷ http://www.aigroup.com.au/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/LIVE_CON TENT/Economic%2520Indicators/Research%2520Notes/2012/The_NSW_Housing_Cycle.pdf

⁸ <http://www.g2pm.com.au/news/view/79>

⁹ <http://www.g2pm.com.au/news/view/79>

Queensland; 24,600 dwellings in South Australia; 12,500 dwellings in the Northern Territory; and 1,400 dwellings in the ACT. Tasmania could reach a projected surplus of 1,300 houses by 2020.¹⁰

Demand and Waiting Lists

In Australia today there are almost 225,000 applicants on the social housing waiting list. The time spent on the waiting list has also blown out. Average waiting times range from 9.4 months in QLD, 1.8 years in the ACT, 1.6 years in Victoria, 2.5 years in WA, 6 years in the NT and between 2-10+ years in NSW depending on the location. These figures are also deceptive, in Melbourne's southern suburbs one applicant had to wait for 18 years and 10 months before they were given a home.¹¹

The National Housing Supply Council has projected demand for public housing will be higher than that for private rental housing or home ownership in coming years. Most of the demand is projected to come from singles and older households as our population ages.

Roughly a quarter of the public housing waiting list are senior Australians, and the proportion is increasing each year, many are single and alone. The National Housing Supply Council has predicted in the next 20 years, 28% of all households will be 65+ years and pressure on the rental market (both private and public) from elderly Australians will more than double by 2028.

There are currently 224,876 applicants waiting for social housing. More than 67,000 (34%) are in the greatest need. The number of applicants increased by 12% from 2008-2012.

1 in 10 public housing tenants and 1 in 5 community housing tenants had experienced homelessness at least once in the past 5 years. Of these, one quarter had slept rough³⁵.

There are 415,785 social housing dwellings in Australia - a very small proportion of overall housing stock (5%).

Social housing assists about 403,700 households, with 80% in public housing, 15% in community housing, and 5% in Indigenous community or state owned and managed housing. In 2012 a household on the minimum wage paid 72% of its income on a median priced rental compared to 35% in 2003³⁷. In 2010-2011 only 5% of homes sold or built nationally were affordable for low income households³⁸. In 2012 there was a shortage of 146,000 properties that are affordable to the lowest 20% of income earners, and an overall cumulative supply gap of 243,700 new homes.

¹⁰ <http://www.awci.org.au/docs/page/10/article,292/Housing%20to%202020%20-%202011%20-%20National%20Media%20Release.pdf>

¹¹ http://www.greens.org.au/sites/greens.org.au/files/Social_Housing_Supply_0.pdf

New South Wales' Housing to 2020 – Ranked by Shortage							
Ranking		Local Government Area	Demand	Projected Dwelling Completions 2012-2020			Shortage by 2020 (medium build rate)
State	National			Low Annual Build Rate	Medium Annual Build Rate	High Annual Build Rate	
1	11	Lake Macquarie (C)	11,618	6797	9788	11703	5242
2	12	Wollongong (C)	10,183	6214	8949	10701	4955
3	13	Sutherland Shire (A)	10,227	6323	9106	10889	4743
4	15	Blacktown (C)	18,078	11078	15953	19075	4484
5	19	Penrith (C)	9,321	5763	8300	9924	4099
6	23	Newcastle (C)	9,222	5628	8105	9691	3657
7	25	Liverpool (C)	9,759	6087	8766	10482	3469
8	27	Gosford (C)	8,180	5467	7873	9414	3446
9	31	Wyong (C)	8,311	5138	7400	8848	3349
10	32	Canterbury (C)	6,346	4034	5809	6946	3314

Table 1 - HIA Economics Group, 2011¹²

In NSW, the residential population has been growing at an average rate of close to one per cent per annum over the past decade, while the average household size has fallen from around 3.0 to 2.5 over the past decade.

These demographic and social changes are estimated to have contributed to a level of underlying demand of close to 40,000 new dwellings needed per year in NSW. This shortfall can also be characterised as a 'negative housing balance'. Property analysts at the ANZ Bank for example, estimate that the rate of dwelling completions has been falling behind the level of demand in NSW since 2006, resulting in a 'negative housing balance' that had grown over 110,000 dwellings by 2012-2013 (see below).

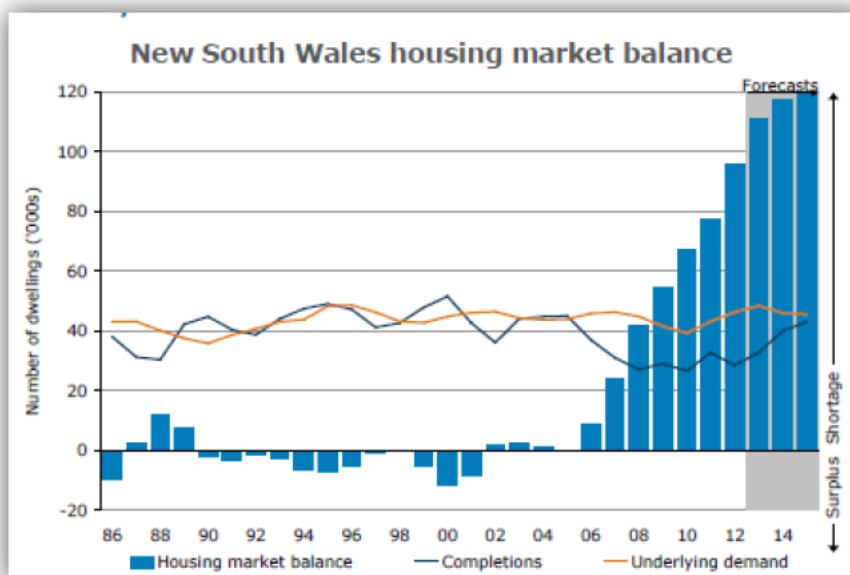


Figure 3 - Sources: Australia Bureau of Statistics, Australian Demographic Statistics, Mar 2012; ABS, Census

¹² <http://economics.hia.com.au/media/NSW%20IOB%20March%202012.pdf>

Figures from the Australian Bureau of Statistics show there were 45,707 dwelling approvals in the 12 months to November 2013, making it the highest level seen since 2004.¹³

BIS forecasts a 26% jump in residential construction in New South Wales in 2013 following a flat 2012.



There will be a modest 2% increase in the number of dwellings built in NSW in 2012 followed by a large 31% gain to over 40,000 in 2013, says the forecasting firm.

Sydney is set to be the focus of new dwelling approvals in 2012, with 14% growth in the number of new homes approved in 2012 with 15% growth in 2013 to above 20,000. Strong growth in building approvals is also forecast for the Hunter region (12% in 2012 and 19% in 2013).¹⁴

Total residential building approvals reached 158,111 in financial year 2012/13, quite a modest increase of 5.5 per cent on the very weak year that was 2011/12. Following two consecutive monthly declines at the end of 2012/13, approvals started the new financial year with a partial recovery, increasing by 10.8 per cent in the month of July 2013.

In NSW, total approvals reached 39,229 in the 2012/13 financial year, a level that is a very solid 10.6 per cent higher than in the previous financial year. The improvement in WA across these periods was an impressive increase of 28.5 per cent. The similarly large markets of Victoria and Queensland, however, have remained conspicuously absent in their contributions to the aggregate recovery. Approvals in Victoria declined by 4.0 per cent over 2012/13 but to a still relatively 'okay' result of 48,379. In Queensland 7.0 per cent growth over the last financial year might appear respectable, but this was to just 29,541 approvals that year. That level is 22.1 per cent lower than the 12-monthly

¹³ <http://www.hutchinsonbuilders.com.au/2014/01/nsw-housing-construction-alive-and-well/>

¹⁴ <http://www.propertyobserver.com.au/residential/wa-nsw-and-queensland-to-lead-rebound-in-residential-construction-from-2013-bis-shrapnel/2012032053919>

average over the 2000s, an average which still includes the fallout from the first iteration of the GFC and also the fallout from the introduction of the GST.¹⁵

“Even the lowest projections show Australia’s population nearing 26 million by 2020 and 29 million by 2030. Housing these people will require a considerably higher average build rate than what has occurred over the last 20 years and that won’t happen without a concerted and cooperative focus on policy reform,” commented Geordan Murray.

Despite an unprecedented shortage of housing (estimated population demand less construction) and an expected 15-20% lift in home prices over the next 2½ years, we expect to experience the most modest cyclical upturn in housing construction in the past 30 years. A desynchronisation of state housing market and dwelling type cycles will restrict the rebound in dwelling investment. Rising vacancy rates and growing valuation risks in some markets are likely to slow apartment completions. In addition, the development issues that have plagued the industry in recent years largely remain in place (including difficult approvals processes and infrastructure shortages).¹⁶

Some statistics

Current NSW Supply

New South Wales has the largest social housing portfolio in Australia, comprising over 145,000 dwellings¹⁷. LAHC owns the bulk of these with about 134,000 dwellings valued at around \$32 billion.¹⁸

This supply supports approximately 316,275 people, or between 3 per cent and 4 per cent of the State population.

Current NSW Demand

The vast majority of LAHC’s dwellings are public housing, for which HNSW provides tenancy management services. About 225,000 people are currently living in public housing.¹⁹

There are a further 55,000 eligible households (representing about 120,000 people) on the waiting list for such accommodation.

New South Wales is facing significant challenges in providing access to public housing now and into the future. These include a growing demand for housing by single person households with very low income and complex needs; and ageing and inappropriate dwellings.

¹⁵ <http://www.macrobusiness.com.au/2013/09/hia-sees-construction-green-shoots/>

¹⁶ <http://yourpropertysuccess.com.au/wp-content/uploads/Australian-Housing-Chartbook-October-2013.pdf>

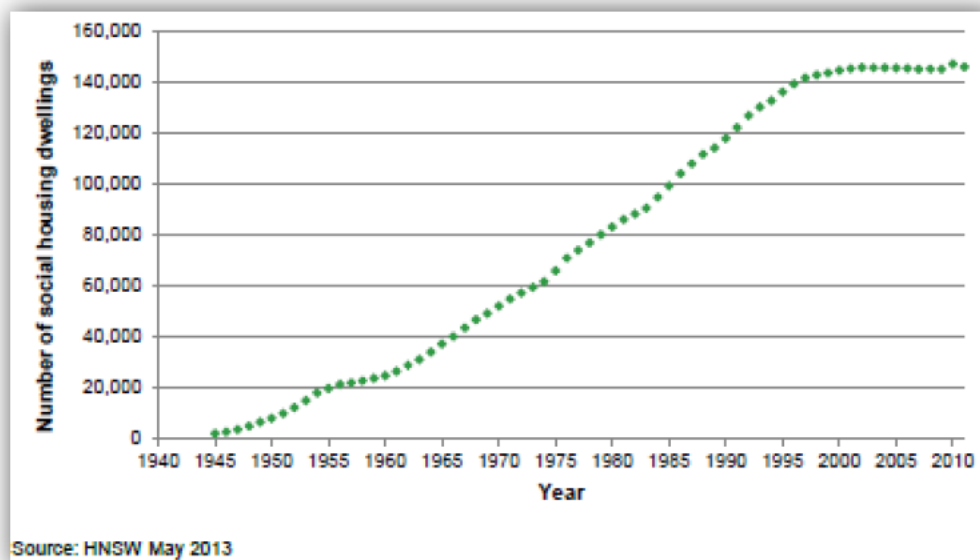
¹⁷ NSW Land and Housing Corporation Annual Report 2012–13

¹⁸ NSW Auditor-General's Report to Parliament Making the best use of public housing p4

¹⁹ NSW Land and Housing Corporation Annual Report 2012–13

Growth in Social Housing

The growth in social housing since 1945 can be demonstrated graphically below;



As you can see, for the period 1945 to 1995, social housing dwellings numbers grew at a steady pace but since that time have plateaued.

In 2013, LAHC delivered 536 new homes under the capital program and delivered 75 new dwellings for the Aboriginal Housing Office (AHO). This is a decrease from 1,614 properties delivered in 2012.

Taking an average of the new properties delivered since 2012, this would mean LAHC would deliver only an additional 8,600 properties through to 2020.

In addition, there is also a trend that LAHC has been disposing more properties that it has acquired in recent years except during the stimulus program of 2009 – 2012.

As at June 2013 approximately 57,451 applicants were on the social housing register awaiting housing in New South Wales, of which 4,511 were priority applicants—those at risk of harm or currently living in inappropriate accommodation.

According to Housing NSW projections, in order to meet only 44 per cent of social housing need in 2021 the New South Wales Government will need to build an additional 2,500 dwellings per annum at a cost of more than \$9 billion over 10 years²⁰. The Auditor-General report also projects that by 2021, 32 per cent of social housing clients will be older people and 23 per cent will have significant disability.

²⁰ SELECT COMMITTEE ON SOCIAL, PUBLIC AND AFFORDABLE HOUSING

Housing Pathways Waitlist information

Numbers of Social Housing in Newcastle (HNSW):

- Newcastle - 3955
- Lake Macquarie - 3395
- Maitland/Taree - 4158

In Newcastle Team LGA there are 111 AHO dwellings (included in amount above)

(These figures would not be 100% accurate as they've pulled them from HNSW arrears reports, but HNSW said they would be pretty close to the mark.)

HNSW Newcastle office has indicated that 2/3 of their properties in Newcastle are apartments most of which are above ground floor which limits who they can house in them specifically with regards to physical capabilities.

Examples of people who require social housing (non-complex needs)

Applicant shortlists (from the Register) for Newcastle allocation zone only

No of Bedrooms	No. people on Waitlist	No. listed as Priority	On waitlist > 5 years
1	1062	12	48
2	470	10	41
3	133	3	15
4	35	1	7
Testimonials			
<p><i>Brian (aged 80) has been "live" on waitlist since 1999 he is living with carer (aged 77) due to his medical requirements and therefore requires a 2 bedroom property. In the time he has been on the list he's only been offered 2 properties both of which were in known troubled complexes, he rejected both due to safety concerns & the fact he can't manage stairs due to his ill health.</i></p> <p><i>Brian has no complex needs other than the fact his age has created medical problems primarily a heart condition.</i></p>			
<p><i>Sharron (aged 47) has been "live" on the waitlist since 1999, she has 16 year old daughter and is the carer to her 65 year old mother, who she is not currently living with her due to difficulties finding affordable accommodation. Sharron has suffered and recovered from breast cancer during her time on the list.</i></p> <p><i>In the time she has been on the list she's only been offered 2 properties both of which were in known troubled complexes, she rejected both due to safety concerns.</i></p> <p><i>Sharon has no complex needs.</i></p>			
<p><i>Melissa (32 year old) has been on the waitlist since 1997 and was approved as "high priority disability" in 2009 due to her daughter's disability. Melissa lives with her 4 children under 17 and her</i></p>			

husband who is a carer for 81 year old relative who is also on application.

In the time she has been on the list she has been offered 3 properties all of which were unsuitable due to the modifications required for her disabled daughter.

Sharon has no complex needs.

Role of Community Housing

The following is drawn from the NSW Community Housing Industry Development Strategy Summary Paper 2013:

At October 2013, there were 230 registered community housing providers in NSW.²¹ Providers are currently registered under a Class classification that reflects the size and complexity of their business.²² There are 15 registered Class 1 providers, 14 Class 2, and 14 Class 3. The majority of providers (187) are Class 4, most of which are specialist homelessness services with small property portfolios. Registered providers range from small, very locally based organisations to multi-jurisdictional providers with large portfolios and experience in property development. All current community housing providers are not for profit. Some providers specialise in the delivery of services to specific client groups such as to people who are homeless, to single women, or to people with disability, whilst others have diverse businesses delivering a full range of housing services.

Many providers have partnerships with local community based organisations and support providers to ensure that tenants receive an integrated housing and support service. Importantly, the community housing industry also includes the network of organisations that form part of the business and strategic environment in which community housing operates. This includes not for profit housing and service providers in linked or adjacent fields, peak bodies, banks, financiers and other investors, consultants, service suppliers, developers, experts and researchers and government agencies at all levels with responsibility for funding, investment, policy, planning and regulatory decisions. Community housing has undergone a period of significant change in recent years. The sector has grown, diversified and professionalised and the broader industry network has expanded and strengthened. The industry now also includes a significant private market presence.

Sector growth has been significant. For example, between 2006 and 2013, the number of properties under community housing management more than doubled. At February 2013, community housing providers reported managing a total of 33,000 properties.²³ This includes 25,954 long term social housing properties (or 27,450 with crisis and transitional housing) leased by Government to community housing providers for management, and social housing owned by providers which has been vested by Government to them. Of these, 98 percent or just over 26,900 social housing properties are managed by just 32 providers, with the largest 10 providers managing 17,470 properties. Also included are the assets owned and / or managed by community housing providers

²¹ NSW Registrar of Community Housing – February 2013 Sector Snapshot.

²² The NSW Regulatory System is being replaced in NSW from 1 January 2014 by the National Regulatory System for Community Housing over an 18 month transition period. Tier-based classification will replace the current class-based system.

²³ NSW Community Housing Industry Development Strategy – Summary paper

which are independent of Housing NSW (or NSW Land and Housing Corporation) resourcing and which may be used for purposes other than social housing (e.g. affordable housing for people on low to moderate incomes). These properties are additional to those shown in the social housing figures above. Providers reported 38,000 tenancies and total sector rental revenue of \$245 million.²⁴ Since 2006, the NSW Government, the community housing sector and the private sector have invested in jointly increasing the supply of housing for people on low to moderate incomes. At June 2013, community housing providers had combined government capital funding of \$238m with close to \$40m of their own equity contribution, and approved capacity for \$160m in debt finance to invest in new affordable and social housing. To June 2013, providers have used various forms of grants, equity and debt to supply almost 2,000 new affordable and social housing properties.²⁵ The rate of growth in community housing in NSW will depend on opportunities in NSW and interstate, as well as in related industries. Nevertheless, there is little indication that the rate of change experienced by NSW community housing in recent years will slow. Looking forward there are significant internal and external drivers of change on the horizon including implementation of the new National Regulatory System for Community Housing, further private sector investment in social and affordable housing and the FACS Reform Agenda including reforms to specialist homelessness services, the development of a social housing policy, the expansion of community housing opportunities in other jurisdictions, the emergence of new entrants to the industry, and implementation of national reforms to the disability sector through introduction of the National Disability Insurance Scheme (NDIS). Reform of social housing systems being introduced in jurisdictions across Australia and the introduction of National Regulation will pose issues and capacity challenges beyond just the NSW industry. For example a number of jurisdictions have announced significant stock transfer programs to the community housing sector, for which providers operating in NSW are likely to be highly competitive. In response to the changing environment, in March 2013 Housing Ministers in all jurisdictions agreed on a National Community Housing Industry Development

In the context of affordable housing there will continue to be the roll out of the current NRAS program delivering more affordable housing units in NSW over the next three years. It is also expected that a further 11,000 NRAS dwellings will be approved for delivery across Australia to 015/16. The NSW Government has indicated its intention to support over 3,500 new NRAS 2 dwellings and providers are expected to continue their strong participation in the scheme. The reforms in the disability sector, driven by the NDIS, may also see an increase in demand for the services offered by community housing providers as well as a change in the way the two industries intersect. Equally, a growing number of disability services with accommodation may seek to become registered housing providers.

²⁴ NSW Community Housing Industry Development Strategy – Summary paper

²⁵ NSW Community Housing Industry Development Strategy – Summary paper

Expected Waiting Times for Social Housing 2013 – Overview
(obtained from Housing Pathways website)

ALLOCATION ZONE	ALL SOCIAL HOUSING RESIDENTIAL PROPERTIES (as at 30 June 2013)					APPLICANTS HOUSED IN 12 MONTH PERIOD (as at 30 June 2013)			APPLICANTS ON HOUSING REGISTER (as at 30 June 2013)			EXPECTED WAITING TIME FOR GENERAL APPLICANTS ON THE HOUSING REGISTER				GENERAL APPLICANTS LAST HOUSED DATE			
	BEDROOMS					Priority	General	TOTAL	Priority	General	TOTAL	BEDROOM ENTITLEMENT				BEDROOM ENTITLEMENT			
	Studio/1	2	3	4+	Total							1	2	3	4	1	2	3	4 Plus
NN1 LAKE	232	483	6	161	1523	37	32	69	29	526	5					JUN 2013	MAY 2013	APR 2013	APR 2013
NN2 LAKE	635	631	11	238	2685	38	80	118	20	545	5					JUN 2013	APR 2013	JUN 2013	JAN 2013
NN3 MAITLAND	350	423	8	199	1834	34	73	107	18	608	6					JUN 2013	JUN 2013	JUN 2013	MAY 2013
NN4 MERRIWA	0	2	2	0	4	0	0	0	1	1	2						DEC 2004	JUN 2003	
NN5 MURRURUNDI	0	1	3	0	4	0	1	1	0	4	4						APR 2013	FEB 2010	
NN6	96	145	2	34	480	28	56	84	7	147	1					JUN 2013	MAY 2013	JUN 2013	NOV 2012
NN7 NEWCASTLE	1731	1602	11	106	4576	97	25	348	60	1618	16					JUN 2013	JUN 2013	JUN 2013	NOV 2012
NN8 PORT	82	62	45	11	200	0	9	9	2	131	1					JUN 2013	APR 2009	APR 2013	NOV 2010
NN9 RAYMOND	84	148	4	87	744	5	48	53	2	196	1					JUN 2013	JUN 2013	JUN 2013	MAY 2013
NN11 SCONE	31	39	65	5	140	4	10	14	1	36	37					MAY 2013	MAR 2013	NOV 2010	MAR 2009
NN12 SINGLETON	51	119	2	38	429	4	29	33	2	76	78					JUN 2013	JUN 2013	JUN 2013	OCT 2012
NN13 ABERDEEN	0	4	17	3	24	0	0	0	0	5	5						NOV 2006	JUL 2010	AUG 2008
NN14 DENMAN	0	2	3	3	8	1	1	2	1	3	4						JAN 2013	SEP 2000	APR 2000
NN16 DUNGOG	10	11	12	2	35	0	2	2	0	21	21					JAN 2013	FEB 2006	MAR 2013	JAN 1981
NN17 CESSNOCK	123	143	2	45	512	9	39	48	3	193	1					JUN 2013	JUN 2013	APR 2013	JUN 2013
NN18 KURRI KURRI	53	54	1	24	264	4	11	15	2	96	98					JUN 2013	JUN 2013	JUL 2012	MAR 2011
Central Coast																			
NN19 GOSFORD	771	753	9	187	2649	128	57	185	64	1119	1183					JUN 2013	APR 2013	OCT 2012	MAY 2013
NN20 WYONG	617	650	8	191	2307	96	52	148	70	1239	1309					JUN 2013	MAY 2013	MAY 2013	NOV 2012
TOTAL					8,860	485	525		282	2965									

Legend for Expected Waiting Times Bands

	Up to 2 years
	2 to 5 years
	5 to 10 years
	10+ years
	No properties

c. Housing design approaches and social service integration necessary to support tenant livelihoods and wellbeing

The following discussion examines two types of housing design approaches, which have been utilised in various Australian states to provide social service integration and to support tenant livelihoods and wellbeing are:

1. Foyer model ²⁶ – focus on providing suitable accommodation to young people aged between 16 and 24 (homelessness & at risk of homelessness) that is connected to education, training and employment ;
2. UNO Apartments – focus on mixed use of inner city apartment building, incorporating social housing, crisis accommodation and private residential owners.

These two forms of housing design have been targeted to approach service integration for youth homelessness and at risk of homelessness persons. It is recommended that these models be considered by the Select Committee for adoption in NSW for future planning as they have proven to directly address and respond to the demand for social, public and affordable housing. Moreover, they have proven to be effective for addressing youth homelessness and welfare to work policies.

Foyer model

In 2009 the NSW Government released the NSW Homelessness Action Plan 2009-2014, which set the direction for state wide reform of homelessness services. There have been various HAP programs and assessments of those programs.

In 2008 the then Prime Minister launched the Australian Government's White Paper on Homelessness – 'The Road Home'. The Road Home stated that there was a need for more supportive housing models such as 'Foyer's' to help to break the cycle of homelessness for young people in providing accommodation connected to education, training and employment.

What has happened in Australia since 2008-09?

In Australia, the 'Foyer' Model is relatively new development. To date, there have been a few projects completed; however there are several more in the planning stages and a sustainable funding model is currently being investigated by the Federal Government.

There has now been a Foyer Foundation established in Australia to support and promote Foyer projects throughout Australia. Foyers currently exist in Victoria, NSW, Adelaide and Perth. Most developments have been the result of mixed model funding – state, federal and private.

In NSW, 2 of the projects operating have been possible via the use of NSW Housing property through conversion and renovation – Miller Live 'n' Learn Campus and Illawarra. There is a need for more

²⁶ The Foyer model was first developed in post-war France and operates in Europe, UK & Canada. The foyer concept is the packaging of support & accommodation linked to participation in education, training and/or employment. See also: <http://www.foyer.org.au/documents/BRIEFINGDavidChestertonPresentationDecember2008.pdf>

foyer projects in NSW. CHPs are well placed to manage the tenancies and relationships with other agencies and education providers to achieve financial and social outcomes.

The existing and planned foyers rely on state and federal funding to construct facilities. There is no one ongoing funding mechanism which is a sustainable funding model and if this is not addressed, the foyer projects will not reach self-sustainability.

A proven model

Operating for more than 60 years, Foyers have assisted young disadvantaged people to stabilise their lives and achieve transition to independence. The approach works because it is a holistic approach in that the model provides: secure tenure of accommodation; education pathways; health and wellbeing support; social connectedness; independent living skills and employment pathways.

UNO Apartments - Adelaide

Located in the heart of Adelaide's CBD, UNO Apartments at 102 Waymouth Street is the city's first mixed-use development aimed at revolutionising affordable housing and high density communities through thoughtful and inclusive design.

A suggestion is that there is a need for a joint program of Department of Family & Community Services (NSW), Department of Social Services (Cth) & DEEWR (Cth) on the basis that Foyers are both about housing & support outcomes in addition to education, training and employment outcomes. Funding streams need to be more flexible to make opportunities available for the involvement of private sector partners; the appropriate incentives need to be available. Social and financial returns on investment will be integral to the success of growth of the foyer movement in Australia.

The South Australian Government, through Housing SA, commissioned Greenway Architects in association with Bird de la Coeur to deliver a unique 'salt and pepper' mix of tenures to provide options for affordable ownership, affordable private rental, public housing and general market sales throughout a 17-level complex. In addition a fully serviced 30 apartment youth crisis accommodation facility fronts Waymouth Street.

Different to the Foyer Model, this model utilises a mix of tenure – social housing, affordable housing, general ownership and supported youth accommodation and offers new benchmarks in quality, affordability and high density design used as a means to provide social and services integration and to support all members of the neighbourhood. The project was funded under the Commonwealth's NBESP. .

St John's Youth Services works closely with Urban Communities to establish and maintain a positive culture within the youth110 service, as well as across the broader UNO community. Youth110 guests experience stability and safety, leaving them more able to focus on goal setting, living skills and addressing identified issues.

The mixed tenancy apartment model, where youth110 guests have access to one of 30 safe and fully self-contained apartments, has also demonstrated a much lower rate of reported serious incidents.

This model also assists young disadvantaged people to stabilise their lives and achieve independence. The physical building provides an opportunity to achieve social connectedness and build community capacity.

It is recommended that the NSW government give consideration to the effectiveness of this model developed by the SA government and its partners, to resource similar type development in NSW. In particular in larger regional growth centres where the market will support this mixed tenure.

d. Maintenance and capital improvement costs and delivery requirements

Adequate maintenance

Compass submits to the inquiry the need for government to prioritise the adequate maintenance and improvement of existing social housing assets.

HNSW / CHP Lease arrangements confusing accountability for major upgrading: We also suggest that the current lease arrangements for LAHC owned dwellings transferred to Community Housing Providers are potentially preventing CHPs from taking on the appropriate range of responsibilities regarding long term major refurbishment.

Public accountability on dwelling condition: Finally, Compass proposes greater public accountability for the NSW public housing authorities and CHPs by requiring them to openly publish comparable dwelling condition data and maintenance expenditure in a consistent, simple format on an annual basis.

Historically, the NSW Housing Commission, and then the NSW Department of Housing, focused its attention on constructing new housing, at the expense of maintaining the already built accommodation. By the early 1990s, with the remaining post war fibro cottages reaching 40 years old and 1970s estates ageing prematurely, the poor condition of public housing was becoming more apparent in the community. This contributed to the stigmatisation of public housing and its residents.

For about 20 years from 1970 it was Housing Commission policy not to paint inside houses at all because it was considered too expensive.

In the mid-1990s, DOH internal confidential reports were indicating the maintenance backlog had risen to between \$800 million and \$1 billion in 1990s dollar values.

Annual Reports show that from the mid-1990s maintenance expenditure was ramped up. As an example the “Accelerated Improvement Program” (AIP) provided major upgrade funds from 1998 to 2003 peaking at close to \$100m per year on planned works to older dwellings. Subsequent planned maintenance programs continued this work until recent years when maintenance programs were

again cut back. Only the NBESP maintenance stimulus temporarily increased maintenance again to required levels over a 15 month period through 2008 and 2009. At this time the maintenance backlog was estimated internally at about \$600 million, although more recently published figures put the figure at closer to \$300 million.

The Government's reduced public housing maintenance programs are short sighted because assets will deteriorate, additional major expensive failures requiring urgent repair, tenants will suffer and make costly compensation claims through the NCAT (CTTT), and poor presentation of public housing dwellings will reduce tenant's pride of place, with increases in poor property care, damage and vandalism.

Community housing providers such as Compass have a strong interest in advocating for adequate maintenance funding for public and community housing. Compass has accepted management of over 1,200 public housing dwellings. Upgrading grants of \$12,000 per dwelling were provided by government to Compass at the time of transfer. All this money was spent on high priority items. Due to the poor condition and age of many of the dwellings the upgrades did not ensure the asset was maintenance free for 2-3 years post upgrade. Therefore costs for responsive maintenance and planned maintenance after the upgrades are a Compass cost and could be deemed the shortfall in funding.

Compass hopes to receive transfers of more public housing in the future, but will only be able to accept properties in the future that are capable of being brought back up to reasonable condition and amenity. Compass cannot justify to its Board of Directors, carrying out major upgrades to properties for which it only has rights only to short term leases.

Many experienced staff working in HNSW and LAHC are concerned about the current under funding of public housing maintenance but cannot publicly voice their concerns. Some suggested questions for the Inquiry to put to the NSW Public Housing Authorities are as follows:

When was the last proper estimate of social housing maintenance backlog produced based on a recent full set of Property Assessment Survey (PAS) data, and when will the next data be available to update the estimate? Is the time between surveys considered adequate to properly monitor dwelling condition?

How many of the following major cyclical maintenance tasks were completed in the last full financial year 2012-13, and what do those numbers represent in terms of effective maintenance lifecycles:

- Full external paints,
- Full internal paints;
- Full kitchen upgrades,
- Full wet area upgrades;
- Full carpet replacement

For example- if 6,000 dwellings were painted out of 120,000 that represents 1/20th of the portfolio, or a 20 year cycle). Are those effective maintenance lifecycle considered acceptable for long term sustainability?

What is the estimated total cost of major maintenance tasks such as: waterproofing and roof repairs for high and low rise apartment buildings and heritage properties, replacement of old electrical switch boards in large complexes, replacement of old sewer, water, stormwater and gas pipes in complexes, waiting to finding funding before it can go ahead?

HNSW / CHP LEASE ARRANGEMENTS CONFUSING ACCOUNTABILITY FOR MAJOR UPGRADING:

Compass wishes to raise a concern that the current short term leases for transferred social housing create a grey area for dwelling maintenance. While responsibility for the day-to-day maintenance is the responsibility of Compass and regular cyclical maintenance, the responsibility for major upgrade works when inevitably required, must rest with Government while only short term leases are available. Compass foresees that Government will over time grow to view this as the responsibility of the CHP, as those houses were “transferred”. This issue needs resolution before it becomes a regular and time consuming source of disagreement and cause for delayed resolution of tenant and public safety issues. One obvious solution is to vest title with the CHP so that accountability becomes clear. Another solution is to sign CHPs to long term leasers i.e. 99 year leases, with authority to sell or redevelop housing where it is no longer economically viable or sensible to maintain. Currently, CHPs have to obtain permission and funding from HNSW to conduct major refurbishment. If funding is not provided when dwellings will be handed back, at great inconvenience to tenants and the organisations, especially in whole of location transfer locations.

A CHP cannot justify spending large amounts on structural repairs when it only has a short lease on the property. With the appropriate lease or title, and funding model, CHPs can properly plan sinking funds or other arrangements to cover costs or major refurbishments in the longer term future, which is here already.

PUBLIC ACCOUNTABILITY ON DWELLING CONDITION

To increase accountability and consistency regarding NSW social housing condition and maintenance, Compass advocates the open publication of condition information and maintenance expenditure per dwelling on a consistent basis annually for each CHP and Housing NSW at an area level. The common Property Assessment Survey (PAS) can be the source of condition data. An agreed set of definitions and measures can be determined, with reporting co-ordinated by the regulatory body that already collects similar information.

This public scrutiny and peer review would provide incentives to ensure adequately maintained dwellings.

e. The role of residential parks

Tenancies within Residential Parks do not form part of the eligible portfolio of CHPs in NSW. This is because the legislative framework for CHPs is the Residential Tenancies Act 2010 (and Regulations) and tenants whose main place of residence is a residential park are covered by the Residential Parks Act 1998.

In other states, there are strategies and recommendations on foot to consider the review and amendment of the current ownership and structure of Residential Parks. In QLD, the government is considering a mixed use model that would benefit not only manufactured home owners but renters as well. A variation on this model could involve management by community housing providers rather than contracting management to private agencies. A community housing model would benefit a large number of people already residing in a residential park as well as people seeking affordable housing²⁷.

Who can be assisted if community housing providers manage Residential Parks in NSW?

There is a projected increase of 120% from 2008 to 2020 in the number of Australians aged 65 and over who will require rental housing. This far exceeds the supply capacity of the social housing system, and is unlikely to be adequately met by the private rental sector. These statistics highlight the need for alternative forms of housing for older people to assist in reducing the numbers of older people who are dropping out of home ownership. While manufactured home owners do not solely consist of all older people, by far the majority are residents over 50 years and, in particular, over 65 years²⁸.

What is currently happening in Residential Parks in NSW?

Between 1996 and 2006, 11 coastal communities in NSW and Queensland lost between 110 and 590 caravan sites each. Many parks are converted into residential or commercial uses, or redeveloped into tourist resorts or holiday parks.²⁹

The governance of residential parks in NSW is currently under review. The Residential (Land Lease) Communities Bill 2013 will replace the Residential Park Act 1988. While it is intended that new rules of conduct and education for operators is introduced, the new bill does not vary the model to allow for the involvement of CHP's to manage these parks (where the parks are owned by the state). And although the bill aims to improve governance and processes for rule making, disclosure and house sales for residents. A recent controversial amendment to the proposed legislation, applicable to

²⁷ <http://cotaqld.org.au/wp-content/uploads/2012/02/Residential-Parks-Strategies-for-Encouraging-Alternative-Manufactured-Home-Sites-in-Queensland.pdf>

²⁸ <http://cotaqld.org.au/wp-content/uploads/2012/02/Residential-Parks-Strategies-for-Encouraging-Alternative-Manufactured-Home-Sites-in-Queensland.pdf>

²⁹ <http://www.soacconference.com.au/wp-content/uploads/2013/12/Gilbert-Social.pdf>

future park residents, enables park owners to obtain a share in the capital gain of a mobile home, or a share in the home –instead of rent increases.³⁰

According to the ABS in 2011, 72,690 Australians were living in caravans, cabins or houseboats. Due to the massive lack of affordable rental accommodation and public housing, many choose to live in residential parks. The disadvantage of doing so is that the park owners are frequently for profit entities seeking to maximise their profitability. Park owners are claiming the parks are not making enough profits and looking at alternatives, which includes sell off and redevelopment.

For many Australians, ownership of property is actually possible in a residential park because of its affordability. This automatically reduces the demand on social housing. However, this type of ownership is jeopardised under the new legislation because of the ability for the park owners to terminate tenures for redevelopment or demand a percentage of the capital gain on the sale of a mobile or manufactured home. This alternative to community housing, which has been heavily marketed to those over 50, may soon not be a viable alternative.

Already in existence a NSW government initiative “Assistance Protocol for Residential Park Closures” which acknowledges the risk of homelessness to those park residents whose tenure is terminated. Termination due to residential park closures adds additional pressure to the already stretched demands on the community housing sector. In the Newcastle area, we have seen such displacement for some of the long term residents of the Stockton Caravan Park.

Recommendation:

Using Queensland as a reference, it is recommend that there be a review of legislation in NSW to address the current limits on the type of management permissible for a residential park (i.e. expand to include CHPs) and to encourage financial models which cater for a mixed model of ownership and renters, ensuring the sustainability of the park and the tenure for the tenants

³⁰ <http://www.soacconference.com.au/wp-content/uploads/2013/12/Gilbert-Social.pdf>

- f. **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

Community housing sector growth in NSW- lessons from other States

The case for re-starting the NSW Community Housing Growth Strategy: Compass submits to the Inquiry a case for resuming stock management transfers to registered CHPs.

Queensland and South Australian community housing growth strategies: Compass recommends that the Inquiry examines the Queensland and South Australian community housing growth strategies and their potential application in NSW.

The Newcastle Proposal: Compass submits a practical model for growing community housing in Newcastle, reducing State liabilities and public service salaries, and accessing \$12 million annually in Commonwealth subsidies. The model is adaptable to other locations in NSW.

Recent Queensland Housing Legislation: Compass recommends that the Inquiry examines the recent changes to Queensland housing legislation regarding assigning leases from the State Housing authority to CHPs, and managing tenant anti-social behaviour

1. THE CASE FOR RE-STARTING THE NSW COMMUNITY HOUSING GROWTH STRATEGY

NSW was for a time a leader in Australia in transferring management of public housing to community housing. It has been by all accounts a great success.

The change in government in NSW, re-structuring of Housing NSW into 2 separate departments, and two ministerial departments responsible for housing, seems to have de-railed the process with no real justification. It seems 2 Ministers could not make their mind up or agree either way.

Since the two departments were re-grouped (not re-united) within FACS under a single Director General and a single Minister it was hoped that the program would resume.

While other parties are expected to submit in detail the merits of NSW community housing sector growth, the following brief points are provided here:

- Community housing brings local, effective, flexible customised and innovative management of social housing to local communities.

- Community housing effectively de-politicises the operational aspects of social housing, reducing inappropriate burdens on local members and masses of low order Ministerial correspondence that should have been resolved locally.
- Community housing attracts Commonwealth Rent Assistance to the funding mix which makes social housing financially viable for the state and the community.
- The monolithic NSW housing authorities have been paralysed under their own weight of organisational infrastructure and need for “sameness” from the Tweed to Albury and Broken Hill.
- LAHC is again re-inventing its maintenance contracting methods by shifting even more risk and reward to mega head contractors, when the best solution is to localise management, minimise bureaucratic layers, diversify to suit local conditions and minimise risk.
- Further direct provision of social housing management and operations is in alignment with trends to shift direct service provision of social services away from government agencies to well regulated non-government organisations.

As previous NSW governments recognised some time ago, and other States are acting upon now, a well organised and regulated community housing sector is the most effective way to run social housing. It is actually inevitable.

2. THE NEWCASTLE PROPOSAL- A MODEL FOR ALL NSW

Compass Housing, the largest community housing provider in the Newcastle/ Hunter/ Central Coast region, is seeking to apply its own resources and leverage other public and private investment in support of the renewal of Newcastle’s public and affordable housing, and the delivery of further benefits to its communities.

This full version of this proposal was submitted as an unsolicited proposal to Tim Owen MP State Member for Newcastle on 31 July 2013, upon a general invitation from the then Minister for Finance Greg Pearce. It was put aside by the government, not because it was a bad idea, but because it didn’t meet the requirements to be considered as an unsolicited proposal as defined by the government. Compass recommends that the Premier and ministers responsible for social housing put in place a clear process by which innovative ideas from the non-government sectors can be put forward, properly considered, discussed with proponents and acted on.

We propose that the management responsibility, rental income and all liabilities from the existing 4,000 public housing dwellings in the Newcastle Local Government Area (and possibly additional dwellings from Gosford, Wyong and Port Stephens LGA’s) be transferred to Compass.

The NSW government retains title/ownership of the dwellings. Compass is given a 25 year head lease, and ownership of the new housing it develops where it uses its own financing.

Compass takes over employment of the majority of current Housing NSW and LAHC staff and leases the current office facilities in Newcastle.

Compass attracts an additional \$11-12m per annum income from Commonwealth Rent Assistance.

Using its own capital assets as collateral, Compass can utilize the income stream above to sustain a private finance facility of \$200m for investment in properly maintaining existing homes, estate renewal, social development programs, and new social and affordable housing:

- **Maintenance:** Fix the outstanding maintenance backlog for public housing in the Newcastle Local Government Area, estimated to be \$12 million at no cost to the State, and thereafter properly maintain dwellings for their remaining life.
- **Estate renewal:** Create opportunities for estate renewal (attractiveness and amenity) and establishment of mixed communities (private ownership, private renters, affordable renters and social housing renters) – salt and peppering tenancies within estates currently dominated by public housing.
- **Social development:** Compass will expand its social development partnerships (currently over 20) throughout Newcastle to support social housing tenants and others in housing need to engage with the community, get a foundation, and get ahead in life.
- **New development:** Deliver an additional 900 units (287 to be sold, 39 shared equity scheme and 574 of these for affordable and social housing), which is 15% of the aspiration for the 6,000 under the Newcastle Urban Renewal Strategy;

This investment will create local jobs and business growth as it is channeled through existing local development and building firms, with Compass acquiring up to a maximum of 20% of any new unit development e.g. *Arvia Apartments* by developer *Keith Stronach*

The CBD part of this proposal provides the required catalyst by way of pre-sale benefit to local developers seeking to provide additional units of various tenure types in the inner city of Newcastle, supporting the NSW Government's strategy for inner Newcastle.

Why should Compass be given preferential treatment in consideration of this Newcastle proposal? Perhaps 1 or 2 other CHPs in the state have the capacity, experience, systems, skills and resources to emulate such a proposal. However there are none operating in the Newcastle area. Compass Housing Services has the status, conferred by government, of being the designated '*Growth Provider*' or preferred provider in the Hunter region.

We recognise that such a proposal is a significant one and that due diligence will need to be exercised by the government in response. We, as ever, seek collaboration and take an open book approach to partnership. There is a lot of work to be done to assure partners of the capacity and deliverability of what we propose and we are keen to work this through with the government.

We believe this approach will deliver significant benefits for Newcastle, the community and the public service and be a further catalyst for economic development that this city has waited for many years and is now the focus of revitalization.

Compass will undertake to share its experience with other growth providers in NSW so that the concept and most successful aspects of the Newcastle model can be adapted to similar transfer projects in other areas. Compass is committed to enhancing its own corporate governance and creative capacity, and by doing so, strengthening the wider community housing sector.

Governance and partnership: Compass proposes developing the program in collaboration with Housing NSW, Finance and Treasury, and also would work closely with UrbanGrowth which will be seeking new housing outcomes from its engagement in Newcastle. We suggest that if Compass's proposal is accepted that Compass be asked to form part of a governance structure for the wider renewal of Newcastle and we would be delighted to play that role in our home city.

3. Queensland, South Australian and Tasmanian community housing growth strategies

Compass recommends that the Inquiry look at the Queensland 2020 community housing growth strategy and the similar strategies currently being implemented in South Australia and Tasmania.

Compass with its consortium partner BlueCHP is one of the final 2 proponents from a nationally competitive tender process that are being considered to take over management and renewal of nearly 5,000 dwellings in Logan City, south of Brisbane.

If we are the successful tenderer, we will be the first CHP consortium in Australia to take on such a large portfolio in one go. This includes taking on the current government staff who work at housing centre provision of tenancy, management, maintenance management and redevelopment targets to build 2000 new dwellings over a 20 year period.

If we are the successful tenderer, we will be the first CHP consortium in Australia to take on such a large portfolio at one time, including taking on the government staff who manage the area, tenancy, management, maintenance management and redevelopment targets to build 2000 new dwellings over a 20 year period.

Compass and BlueCHP together have developed a 20 year plan for maintaining and renewing Logan City social and affordable housing, using predominantly private finance. The end value to the Queensland government will be substantially in excess of its original investment. 500 old high maintenance and often under-utilised houses will be redeveloped into 2000 new social and affordable units matched to the highest demand groups in Southeast Queensland. Many of these affordable units will be sold to first home owners and investors servicing the affordable private rental market. This model is easily replicable across many public housing localities in NSW

Queensland has the ambitious goal of transferring all its public housing to the community sector by 2020. That is; 55,000 dwellings over 6 years, or 9,000 per year.

Similarly, we have been accepted on a shortlist to tender for management of 500 dwellings from Housing South Australia.

Compass has developed and demonstrated its capacity to manage both the management and development sides of social housing over 30 years. However, it cannot utilise this capacity in its own back yard because of the current state of the indecision of the NSW government.

Nothing that Compass or other community housing sector colleagues are proposing in terms of social housing management transfers pose any significant risks to government or the people of NSW.

In fact the NSW government led Australia in the process to establish rigorous regulatory and accreditation framework for the community housing sector.

Recent Queensland Housing Legislation

a) Compulsory Transfers

Recent Queensland legislation (Residential Tenancies and Rooming Accommodation and Other Legislation Amendment Act 2013) prepares the groundwork for the sensible, efficient transfer of tenancies between the State Housing Authority and CHPs through a “replacement lessor” arrangement.

Up until now, whole of location transfers have required major processes of negotiation with public housing tenants about voluntarily transferring over to community providers. Ultimately, the outcome is always that arrangements are finalised, even when a small minority of tenants choose to object, generally only for reasons of suspicion of change.

The costs of managing non-compulsory tenancy transfer processes can be significant in time and money, with no real benefits to the tenants. Compass recommends the introduction of compulsory tenant transfers in NSW. This however does not mean Compass is proposing a reduction of consultation and relationship building with new tenants, just a safeguard against a minority of obstructive individuals who have no valid reason for objecting to new management.

b) Anti-Social Behaviour

The Queensland Housing Act amendments also deal with tenant anti-social behaviour.

Under this Act, when tenants engage in unacceptable behaviour and receive 3 strikes within a 12 month period, action can be taken to end their tenancies. Where behaviour is considered to be dangerous or severe, immediate action can be taken to end the tenancy.

This strikes-based process will make it clear to tenants what is- and is not - acceptable behaviour. Tenants will be told if their behaviour is putting their tenancy at risk and given the opportunity to improve.

The policy will aim to balance the needs and rights of other tenants, private owners and the broader community with the need to support tenants to sustain their public housing tenancy.

Compass recommends consideration of these amendments for introduction in NSW to enable Housing NSW and CHPs to more promptly evict tenants where there is a reasonable case made of carrying out illegal activities, or committing other serious breaches of their tenancy. The tenant’s interests are protected by their right to independent review by the Tenancy tribunal.

The Queensland legislation introduces the right of CHPs to require a tenant to enter into an acceptable behaviour agreement for premises if the lessor is of the opinion that the tenant or a person allowed on the premises has engaged, or is likely to engage, in antisocial behaviour on the premises or any property adjoining or adjacent to the premises.

Recommendations

1. Consideration be further given to the reinvigoration of the previous government's property transfer program which aimed to transfer up to 35% of the existing public housing dwellings to community housing in line with the Commonwealth and States: National Affordable Housing Agreement;
2. That the transfer of title be considered in line with the ability to source private finance at a suitable price, but if the transfer of title not be deemed appropriate, then consideration should be given to longer term leases of up to 20 years so that longer term assets management plans and security of income for the purposes of leveraging to gain suitable finance occur.

DEMAND-SIDE PERSPECTIVE FOR SOCIAL HOUSING: RIGHTS ENTITLEMENTS – ARE WE GOING TOO FAR?

According to the 2013 National Shelter's Housing Australia factsheet, the waiting list for social housing is growing at 2.5% per annum; growing by 12.4% between 2008 and 2012 but social housing (public, community and ATSI combined) grew an average of 0.7% per annum between 2006 and 2012³¹.

According to the Australian Bureau of statistics, the Australian population growth rate is 1.7% at present and has previously ranged between 1.4 – 1.7% and presently, around 60% of that growth is through net migration³².

The National Housing Supply Council 's 2010, State of Supply Report reveals that private dwellings increased an average of around 1.5% per annum in the 2007-2009 period and households grew by 2.4% between 2008-2009³³.

a) What can we draw from this?

Firstly, we need to appreciate that the rates stated above do not all relate to the same periods and secondly, this is not intended to be an academic contribution; more a conceptual piece.

Notwithstanding, if the rates of change are relatively similar over the same periods and are reasonably reliable, they can help us to deduce some inferences. Some of which are that:

The rate of households seeking housing poverty relief through social housing: is increasing close to double the rate of population increase (that is, those who will contribute to that relief through taxation);

The rate of households seeking housing poverty relief is increasing three and a half times the current rate of social housing dwelling creation (and so the percentage of new applicants who will not be housed as they had hoped, will rise at a geometric rate); and

³¹ <http://www.sheltersa.asn.au/wp-content/uploads/130314-fly-factsheet-australia.pdf>

³² [Australian Demographic Statistics, June Quarter 2013](#)

³³ http://www.dss.gov.au/sites/default/files/documents/05_2012/stateofsupplyreport_2010.pdf

The rate of households seeking housing poverty relief is roughly the same rate as household formations but the rate of private dwellings being created is between half and two thirds that of household formations (so a geometric rate of displacement of lower income tenants is likely).

The above does suggest that a serious and comprehensive review of the social housing system in Australia is needed on both the demand side and the supply side.

The supply side argument is well made made by many contributors, not the least by the National Housing Supply Council (NHSC) in their Housing Supply and Affordability Issues 2012-13³⁴, as well as in earlier reports, which highlight that there are around 300,000 dwellings needed to be built to accommodate demand now and the gap between demand and supply is growing wider apart at the rate of circa 100,000 dwellings per annum. There is a supply side problem and it is likely that many facing homelessness or spiralling rental costs would seek relief through the social housing system.

There is however, more to the demand side: an increase in the demand for social housing from a larger proportion of the population.

b) Demand for social housing will normally involve two factors: push and pull.

Push factors are those that operate to push a household towards applying for social housing when they otherwise would not have (for example spiralling rental costs), and pull factors include things within social housing that attract households to it rather than other tenure forms.

The 'push' towards increase demand for social housing appears to involve elements like the ageing population, the widening of the gap between rich and poor, individual circumstances (e.g. health), housing costs (lack of supply) and availability and many other factors. Economic fortunes will be a constant contributor to the rise and fall of those seeking hardship relief so as to live and function within society.

However, the purpose of this article is to have a look at some of the 'pull' factors.

The level of stereotyping of 'housing' tenants appears just as present now as in previous years. Other than a small percentage of new dwellings being developed, the housing provided to those seeking assistance isn't generally newer, much better located or so much better maintained and so I doubt that there is a pull factor based on renewed asset goodness. Yet, despite the culling and narrowing eligibility criteria, those seeking housing relief are increasing.

Applicants for social housing mostly come from being tenants/residents of the private rental housing market rather than home ownership, the other main tenure type. Therefore, a comparison with the general conditions and expectations of private rental tenure with social housing conditions and expectations should reveal if there are perhaps comparative 'attractors' to social housing in the system.

The below table is an attempt to compare elements that may become attractors to social housing. I have listed twenty four elements of comparison and have used NSW law and policy as the context.

³⁴ http://www.propertyoz.com.au/library/NHSC%20HSAIR%202012%2013_0.pdf

In seven of those elements, the benefit or duty is the same for each household either in social housing or a private rental. In the remaining seventeen elements listed, the benefit is in favour of social housing.

HOUSING POLICY PULL FACTORS FOR SUBSIDISED HOUSING				
AREA	ELEMENT	PRIVATE MARKET	SOCIAL HOUSING	PULL FACTOR
Tenant Obligations	Rent	Market	<50% market	↑
	Not Interfere	Yes	Yes	↔
	Not damage	Yes	Yes	↔
	Bond	4 week market	4 week	↑
Tenant Rights	Tenure	Per Lease	Long tenure life	↑
	Quiet Enjoyment	Yes	Yes	↔
	90 Day NOT notice	Yes	Policy restricted	↑
	Behaviour Agreements	No	Yes/No #	↔
	Inspect	Yes	Yes	↔
	Change Manager	Yes	No	↑
Landlord Duties & Other Requirements	Repair & Maintenance	Yes - Law	Yes, Law &	↑
	Cyclical Maintenance	No	Yes	↑
	Sustain Tenancy	No	Yes	↑
	Housing/Need match	No	Yes	↑
	Modify for Needs	No	Yes	↑
Tenant Extras Complaints & Appeals	Minister	No	Yes	↑
	Registrar for Community	No	Yes	↑
	Internal	Possibly	Yes	↑
	Funding Provider	No	Yes	↑
Tenant Participation	Housing Appeals	No	Yes	↑
	Tenant Advisory Service	Yes	Yes	↔
	CTTT/Court	Yes	Yes	↔
Application Benefits	One portal	No	Yes	↑
	Covers NSW	No	Yes	↑

↑ Denotes a 'pull factor' – an advantage of social housing over private market housing.

↔ Denotes an evenness between social and private market housing

The imbalance is not necessarily a bad thing. I am very much pro delivering good housing and other services to those in need and providing a positive environment generally.

However, we also have an aim to increase the rate of economic and social inclusion and participation. Tenants are encouraged to 'give back' to their community to the level of their ability, volunteering for example. Entitlement has to be balanced with social responsibility to some extent individually possible and I strongly believe that approach produces mutual benefits.

In spite of this , each ‘improvement’ in the rights, protections and conditions in social housing over private rental housing will add to the reasons to seek the relief offered by the state and provide a stronger attraction or pull towards that relief. Which inherently requires more administration, greater cost and for less, actual housing relief to the general body of eligible applicants.

We could perhaps legislate additional rights and protections of all tenants to reduce the parity imbalance. However, the obvious consequence of that is reducing the number of potential investors in private rental housing who might then choose other investment classes other than rental housing, which will obviously add to the lack of supply of rental accommodation and consequentially, a stronger push factor.

Another is to review the rights and entitlements that exist within the social housing context and it appears various state governments are attending to doing that in one form or another amidst protests.

To highlight the imbalance, just over 12 months ago, the Compass CEO met with local NSW Members Hunter and Central Coast, mostly conservative, but not all. They were asked to estimate, what percentage of resources from the various members’ offices was spent in the area of social housing.” The lowest guestimate was 40%, the highest 70%. Notwithstanding the impact on a Member of Parliament’s and their officers’ time and energy and the consequential effect on governance generally, private renters don’t have the same level of rights and access to the political processes: should ALL social housing tenants?

Additionally, private landlords aren’t audited, inspected and have to prove that their tenant satisfaction rates are high and they have systems to ensure good land lordship and that their tenants are provided with and supported through tenant participation programs. They certainly don’t have to prove their adequacy to be registered and accredited and so forth.

Governments have a greater duty-role to play on behalf of children, the elderly and those who have a disability, and so these tenants should have such rights and landlords who manage on behalf of the government should have a robust regulatory system, but extending the duty-role too wide and providing the imbalance of ‘entitlements’ to a wider and wider list of potential applicants could do with a review.

IV. Market mechanisms and incentives

(a) AFFORDABLE HOUSING: CONCEPT OF ITS' STATUS AND VIRTUES IN A RELATIVELY FREE MARKET HOUSING SYSTEM

Compass is cognisant that in our mixed economy: neither purely free market, nor controlled; the range of views on the role of government vary. Compass is quite sympathetic to the government's primary reliance on the 'market' to address the demand for housing for very low to moderate income earning households with public purpose interventions being towards the least utilized.

However, the housing market or housing system in Australia is anything but a 'free' market. If it were 'free', developers could build whatever and wherever demand existed to find the optimum price point for their various products. Planning legislation is an active intervention for the public good, so is the tax regime relative to housing, government controlled land, social housing and so forth and all used for public good. The point being made is that once agencies of whatever interventionist authority begins to intervene in one area, then another, then another, it is also necessary to ensure that there is corresponding relief from the unintended consequences of those interventions in other areas.

Without elaborating on the work of expert analysts and academics as to the relative cause and effect of various interventions, the following is reasonably clear:

- Despite the amount of land theoretically available and the relative size of the population, major Australian cities are some of the most unaffordable places to live on earth;
- Sydney is the 12th most expensive city to live³⁵ in proving particularly unaffordable but regional NSW cities are also significant and increasing in their unaffordability;
- The lack of availability of affordable and appropriate rental accommodation for very low to low income earning households is acute and housing stress is increasing steadily each year.
- NSW Social Housing represents approximately 5% of the tenure spectrum of households in NSW and is being reduced due to sales, while Affordable Housing represents less than 2%.

The Housing Supply and Affordability Issues Report of 2012-13, make several observations and a considerable in-depth of analysis on the Australian Housing Market. Although it strongly indicates that there is a quantum of actual physical dwellings undersupplied in the market of several hundred thousand across Australia, it does concede that the counter argument can also be made out, in that ***"there is no aggregate housing shortfall as such but instead a shortage of suitable and affordable housing for lower income people."***³⁶

³⁵ <http://www.dailytelegraph.com.au/news/nsw/cost-of-living-in-australia-is-among-the-highest-in-the-world/story-fni0cx12-1226677641006>

³⁶ Housing Supply and Affordability Issues 2012-13: National Housing Supply Council, p. 128.

The point of this being, that short of major housing and taxation system changes, lower income earning households do not have access to higher income earning households holiday homes, dwellings that are vacant in unsuitable or remote locations or simply too expensive.

Compass has been involved in the supply and management of affordable housing for key workers since the Commonwealth and State Building Better Cities Program of the mid-nineties, to the present National Rental Affordability Scheme. Compass presently manages 203 affordable housing dwellings and 3107 social housing dwellings, among other things.

Compass believes that there is mixed views on whether governments should be involved in affordable rental housing per se, rather diverting the various limited resources to the provision of social housing.

Affordable Rental Housing under the FACS/Housing NSW guidelines is housing that is appropriate for the needs of a range of very low to moderate income households and prices so that these households are also able to meet other basic living costs such as food, clothing, transport, medical care and education: and is usually deemed appropriate if rent charged is below 30% of the gross household income and is usually between 75-80% of market rent.

The rent charge of 74.9% of market rent is a requirement of being a charitable organisation. However, public social housing presently collect as rent approximately 43% of market rent³⁷ on their property portfolio and Compass social housing portfolio receives, on average, approximately 51% of market rent due to assistance of Commonwealth Rent Assistance. This assistance allows for proper maintenance on the assets to occur and upgrading and modifications where necessary and provides a basis for viability for community housing providers.

Therefore, firstly, having additional affordable properties and the government focus thereupon, will increase the viability and sustainability of the community housing sector and allow further private investment into the provision of affordable housing supply where needed.

Secondly, affordable housing particularly as it relates to key workers in metropolitan areas, allows for greater mixed communities as cities gentrify and reduce the impost upon the transport system and ultimately the environment of having to transport large numbers of low paid workers into the cities to service the needs of the inhabitants.

Thirdly, affordable housing is a transitional housing solution. It is a smaller step to take when exiting social housing and can align more favourably to a tenants positively changing income and also when a tenant's income reduces it can stave off some housing stress and allow a pathway into social housing where needed.

Fourthly, while social housing is tending to go to those in acute need and to assist other government agencies with clients' outcomes, the inequity to the general community is that if you wish to find

³⁷ Drawn from NSW Auditor-General's Report: Performance Audit – Making the Best Use of Public Housing, July 2013, p. 20.

relief from chronic housing stress, your best bet is to commit crime, have a nervous breakdown or become drug dependant.

Finally, will the presently publically known sell off of public social housing, investment in affordable housing will be viewed as more a realignment of priorities rather than a reduction in responsibility of government to appropriately intervene in the market.

The delivery vehicle for affordable housing is the community housing sector. This point is made clear in various parts of this submission.

Households with rents of more than 30 per cent of gross household income

	2006	2011	Percentage point change	Proportionate Increase
NSW	10.7%	11.6%	0.9%	8.4%
VIC	8.1%	9.1%	1.0%	12.3%
QLD	10.3%	11.9%	1.6%	15.5%
WA	7.4%	8.9%	1.5%	20.3%
SA	8.4%	9.3%	0.9%	10.7%
TAS	7.4%	9.5%	2.1%	28.4%
NT	6.8%	9.0%	2.2%	32.4%
ACT	7.1%	8.0%	0.9%	12.7%
Australia	9.3%	10.4%	1.1%	11.8%

Source: ABS Censuses of Population and Housing, 2006 & 2011 as produced in Housing Supply and Affordability Issues 2012-13 by the National Housing Supply Council, p. 11.

(b) BETTER USE OF COMMUNITY HOUSING LEASING PROGRAM FUNDING TO INCREASE SOCIAL AND AFFORDABLE HOUSING

Description of Current Program

The Community Housing Leasehold Program (CHLP) is a program that funds Community Housing Providers (CHP's) to source social housing options from the private rental market. As at 30 June 2012, there were 5,756 leases held by 26 providers for general social housing, and leasing subsidies accounted for \$48m of the \$58.6m program cost for the year.³⁸

The structure of the program involves:

1. CHP's become the tenant of the property and then have the legal capacity to sub-let the property to an eligible social housing tenant.
2. CHP's pay private landlords market rent for their dwellings, while charging the social housing eligible sub-lessor the sub-market rent charge in accordance to the state's rent charge policy.
3. The state's funding, paid in advance quarterly is designed to fund the difference between the rent charged by the private landlords and that recouped by the state's social housing rent policy inclusive of a management fee component.

³⁸ <http://housingnsw.e-newsletter.com.au/link/id/zzzz5174c6dd45204353/page.html>

4. Each participating CHP has a maximum quota stipulated by the state, and guidelines as to what is the maximum market rent payable for the collective portfolio of the quota. This is based on being on or below the median market rent data produced by the Rental Bond Board (RBB).

The overall expenditure by the state per annum is \$64.7million³⁹ and that enables NSW CHPs to collectively source 5,608⁴⁰ across NSW: the average expenditure being \$11,537 per property per annum.

In the last 10 years, CHLP expenditure has increased by 97%. However, on average, properties under this program rent collected is currently 16% below the RBB median – consequently CHP's are not sourcing high value properties and are delivering the program well within the program guidelines.

Some of the advantages of the program are:

- **Location of properties:** Properties can be sourced in locations where public or social housing managed by CHP's do not exist;
- **Flexibility:** The Program is able to respond relatively quickly to government imperatives and local housing needs.
- **Maintenance responsibility:** That the state or CHP's are not responsible for most of the cyclical and responsive maintenance costs;
- **Income assurance:** Private owners have a greater comfort in knowing market rent and other charges are being paid consistently by CHPs.

From the experiences of CHP alike the disadvantages have been:

- **Complex needs tenants:** The profile of social housing tenants has shifted since the program was developed, and increasingly across the board social housing tenants have high and complex needs. The nature of the clientele has been problematic in managing the expectations of private owners and/or their agents, as from our experience the program is generally more complex and resource intensive;
- **Additional costs:** From our experience in sourcing properties for the program we have found that in both high demand and low supply rental market, that CHP's have to offer other 'incentives' to private owners to accept higher risk tenancies: In recent years the cost of leasing subsidies has escalated substantially and far outweighed the rate of budget indexation e.g. additional maintenance undertaken, thus reducing the efficiency of the program.
- **High program expenditure:** The program has been proven costly for the state, with an average of \$11,537 paid out per property, per annum by the state, which is simply additional expenditure. In other social housing portfolios (whether state or CHP owned and traditionally called 'capital' properties), public housing and CHP's pay for maintenance costs out of the sub-market rents received by social housing tenants.

³⁹ NSW Family and Community Services PowerPoint presentation "CHLP: Program Review and Option Analysis, 6 August, 2013".

⁴⁰ NSW Family and Community Services PowerPoint presentation "CHLP: Program Review and Option Analysis, 6 August, 2013".

- **Security of tenure:** The tenure on a leasehold property is less secure for both the CHP and the social housing tenant;
- **Stakeholder Management:** Has increased in complexity of the years, management of expectations, as well as the changing needs of landlords means that the program attracts a greater impost upon the resources of the NSW Civil Administrative Tribunal NCAT (formerly CTTT) to resolve disputes and a higher turn-over of properties– attracting additional costs related to handing back properties, sourcing replacement properties and costs of re-locating the tenants.

Better Use of State Expenditure

It is the opinion of Compass Housing that from our experience with the program that there is an opportunity to better utilise the current CHLP expenditure for improved financial outcomes for the state whilst creating improved outcomes for tenants and CHP's, by being housed in and managing capital leased properties over private leasehold properties.

Succinctly, the present annual expenditure of \$64.7 million could rather service an aggregated public bond offering, paying the current 15 year bond yield price of 4.51% for which \$1.43 billion could be raised, or \$1.57 billion raised by using the a 10 year bond rate of 4.11%.

A similar, but significantly less, amount of capital (circa \$1.2 billion) was injected into the NSW Social Housing System under the Nation Building and Economic Stimulus Plan (NBESP) circa 2009-12. From that funding expenditure this program was able to produce 5,519 new dwellings.

From the NBESP, the majority portion of the properties were given to CHP's for management, with the remaining properties CHP's have been able to benefit from having the title of a proportion of the total constructed transferred or vested to them creating an additional 1,200 affordable housing dwellings to be delivered. The benefit of this transfer has attracted an additional circa \$200 million worth of private finance into the social and affordable housing system.

Developing other similar initiatives will more than likely attract the attention of investment corporations such as superannuation funds and other institutional investors.

The obvious advantages of such are:

- The economic benefit to creating over 6,000 newly constructed dwellings;
- The benefit of increased supply of social and affordable housing;
- The release of the large quantity of private rentals into the general market to meet private rental demand generally;
- The program can be designed to produce additional private finance injection for additional affordable and/or social housing as experienced under the NBESP; and
- The elimination of the disadvantages of the current program.

Disadvantages:

- Set up costs and management of program;
- Transition complexity for all stakeholders in migrating CHLP tenants to new capital properties

Despite the above disadvantages, the amount of capital raised will likely offset the project set up

and management costs and advantageously the issuing of bonds can be incremental over a longer period of time to avoid transition upheavals and lessen any potential short term market impact. In summary, it is the opinion of Compass Housing that the CHLP does not work effectively in a high demand and low supply market, with limited benefits being outweighed by the disadvantages of the program. In particular the overall expenditure of the program is an extraordinarily expensive for the state compared to that of programs involving capital properties.

Notes:

1. Data drawn from NSW Family and Community Services PowerPoint presentation "CHLP: Program Review and Option Analysis, 6 August, 2013".

V. Ongoing funding partnerships with the Federal Government such as the National Affordable Housing Agreement

The National Affordable Housing Agreement's (NAHA) aspirational objective is that "all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation".

Whilst there has been some national movement in working towards increasing access to affordable, safe and sustainable housing that contributes to social and economic participation the demand for affordable housing in NSW and across Australia is continuing to rise.

Across Australia over 240,000 households are waiting for public and community housing and more than 510,000 households in the private rental market are in housing stress, that is they are on a low income and are paying more than 30 per cent of their income in housing costs. The financial hardship on these households puts them at a risk of homelessness.

Whilst the Australians for Affordable Housing 'Easing housing stress budget statement 2012-13' recognises the increased scope and flexibility in the NAHA from the previous Commonwealth State Housing Agreement, it also highlights the lack of funding under the NAHA to sufficiently maintain current housing stock or to grow much needed public and community housing, stating Governments are now faced with the challenge that to provide public housing for all households on waiting lists across Australia would cost more than \$60 billion⁴¹.

Core funding to support social housing, (under the newly formed NAHA) continued to decline in real terms. Had funding been maintained in real terms, funding allocated under the NAHA Specific Purpose Payment would have been \$2.3 billion in the 2010-11 financial year, over \$1 billion more than the current agreement. This decline in real funding combined with ageing housing stock and greater targeting to the lowest income and disadvantaged households means that state housing authorities are running deficits and selling off old housing stock in order to maintain remaining dwellings⁴².

It is estimated that there is an absolute shortage of 146,000 properties nationally that are affordable to households in the very lowest (20 per cent) of incomes, however, this problem is exacerbated by the fact that many low cost properties are occupied by higher income households. For households on the lowest 40 per cent of incomes the National Housing Supply Council estimated that there is a shortage of 493,000 rental properties that are affordable and available to low income households.⁴³

The shortage of housing driving the rise of market rents is putting more and more Australians into housing stress and the lack of availability of affordable housing options is creating a new need of assistance to not only those who are unemployed but also those who are working but have low to moderate household incomes, these include key workers. The increase in rents also makes it much

⁴¹ *Easing Housing Stress Budget Statement 2012-13*. Australians for Affordable Housing, p. 3.

⁴² *Ibid*, p.2.

⁴³ *Ibid*, Table 5.4

harder for people to save a deposit to buy their own home. The lack of available stock is a high contributor to escalating both sales and rental prices.

On the upside there have been some great National initiatives from the Government such as the Housing Affordability Fund (HAF) and the National Rental Affordability Scheme (NRAS) and which have assisted in the delivery of affordable housing. The current and growing demand along with the lack of available housing stock is driving the need to continue with these worthy funding initiatives.

NRAS has proven to be a successful delivery method of affordable housing with a continuation of interest in NRAS growing by developers, builders, financial institutions and investors. The recent second part of round 5 of NRAS has proven to be very successful with over 80,000 incentives applied for and only approximately 12,000 incentives remaining under the first tranche of 50,000. The shovel ready round was also very successful with 126 applications made for 9,062 incentives that were considered compliant with the Application Guidelines and assessed. Many of these applications will not be able to be approved due to the small number of incentives remaining across Australia under the first tranche.

In 2008 the Government announced that a second tranche of 50,000 NRAS properties would be considered to achieve 100,000 properties under NRAS across Australia over ten years with the aim to:

- increase the supply of new affordable rental housing;
- reduce rental costs for low and moderate income households; and
- Encourage large-scale investment and innovative delivery of affordable housing.

NRAS has greatly assisted in increase the supply of new affordable rental housing across Australia, it has made available reduced rental costs for low and moderate income households and has encouraged investment and innovative delivery of affordable housing, the aims of this project have been met. With the current and rising demand for affordable housing we would strongly recommend a continuation of NRAS to deliver the 100,000 affordable housing properties that was set under NRAS to achieve. The NAHA could be reformed to encourage an increase in affordable housing to assist with this.