

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

**Organisation:** NSW Federation of Housing Associations

**Date received:** 28/02/2014

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## **Inquiry into social, public and affordable housing**

Submission prepared by the  
NSW Federation of Housing  
Associations

28 February 2014



nsw Federation of  
Housing Associations inc

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## Summary of proposals

1. The NSW Government to initiate research into the impact of providing secure, affordable housing on agency budgets and across the community.
2. The NSW Government to increase the effectiveness of services to tenants by supporting the growth of community housing.
3. The NSW Government to consider applying similar locational principles as those used in the NRAS program to all social and affordable housing projects, in order to support tenants' access to employment and other forms of participation.
4. The NSW Government to release the Social Housing Policy for consultation, and ensure that it leads to an explicit statement regarding the growth and further diversification of community housing into the future.
5. The NSW Government to release the Portfolio Strategy in order to engage fully with the community housing industry regarding the future of public and community housing.
6. The Minister for Family and Community Services to establish a regular advisory forum to facilitate direct engagement with the community housing industry.
7. The NSW Government and community housing industry to work in partnership to establish a large scale tenanted property transfer program, which exceeds the Housing Ministers' benchmark of 35 percent, in line with the approach set out in the Federation's paper.
8. The NSW Government and community housing industry to work in partnership to establish a new approach to the transfer of title to community housing, in order to support the expansion of the social and affordable housing system.
9. The NSW Government to liaise with the Commonwealth Government to support ongoing funding for NRAS, including a commitment to a permanent tranche of 10,000 incentives per year across Australia.
10. The NSW Government to commit to funding its proportion of the permanent tranche of incentives, based on NSW population share.
11. The NSW Government to commit to a growth fund of \$250 million over 4 years for social and affordable housing, with preference to be given to optimising the value of this funding by dedicating the majority to the community housing industry as part of a planned growth program.

12. The NSW Government to acknowledge the value of the independence and diversity of the community housing industry, and embed these in policy settings for the growth of community housing.
13. The NSW Government to give consideration to extending the performance requirements and performance indicators in the National Regulatory Code to public housing.
14. The NSW Government to include in the revised planning legislation provisions to enable local government to mandate developer contributions for affordable housing, or a contribution to affordable housing offsite, be retained in the new planning system.
15. The NSW Government to include in the forthcoming Planning Policy on housing a strategic response to the affordable housing shortfall in NSW that considers housing need, both home ownership and rental, against which local governments must make explicit affordable housing strategies as an essential part of their residential strategies.
16. The NSW Government to include an affordable housing supply target for NSW in the forthcoming Planning Policy.
17. The NSW Government to work with the community housing industry and local government to develop guidelines for the use of Voluntary Planning Agreements which are designed to ensure good outcomes for developers, housing providers and the community.
18. The NSW Government to work with the community housing industry and other key stakeholders to examine how specialist financial intermediaries could support the growth of social and affordable housing in NSW.
19. The NSW Government to investigate the potential for a NSW shared equity/ownership scheme as part of a review of support for first home owners.
20. The NSW Government to seek a continuation of a formal funding partnership with the Commonwealth Government, including all housing policy settings and funding programs, and making links to other relevant funding and policy areas.
21. The NSW Government to support the continued availability of Commonwealth Rent Assistance for community housing tenants, or the equivalent funding to be made available for community housing via other mechanisms.
22. The NSW Government to seek the inclusion of a growth fund in the formal funding agreement, targeted to the delivery of additional affordable housing by community housing providers.

- 23. The NSW Government to support the continued growth and diversification of the community housing industry by assisting to have the charitable status of community housing providers clarified as part of a formal funding partnership with the Commonwealth Government.**
- 24. The NSW Government to establish a new funding program for community housing providers, sourced from consolidated revenue, to fund home modifications and adaptations to facilitate tenants to age in place.**
- 25. The NSW Government to build into planning policies at the local, regional and state level the need to provide sufficient affordable housing suitable for low income older people.**
- 26. The NSW Government to facilitate stronger linkages, including formal agreements, between community housing providers and Health Department programs supporting health and wellbeing for older people.**

# Introduction

## About the Federation

The NSW Federation of Housing Associations (the Federation) is the industry peak body for community housing providers in NSW. The Federation was founded in 1993 to represent the interests of professional community housing organisations – then commonly known as housing associations – and to provide support and resources for their further development. Over the past 20 years, the Federation has expanded its business to anticipate and respond to the needs of its members and stakeholders, and to support the organisation's independence and viability.

The Federation's purpose is to support the development of a not for profit rental housing sector which compares to any around the world, and which makes a difference to the lives of lower income and disadvantaged households across the state. The Federation seeks to ensure that community housing providers are active in all housing markets, providing a full range of housing products.

The organisation's approach is to provide leadership to the community housing industry in NSW by drawing on the talents of the industry, its leading edge practice, and on evidence from research and examples around the world. The Federation represents the aspirations and interests of community housing to all other stakeholders – government, industry and the wider community. This includes providing the forum for community housing providers to work together as a mutually supportive industry, to support their diversity, and to articulate and pursue their common aspirations.

The Federation provides advice to members, government and potential partners on the best ways to expand the industry's activities and meet the highest standards of service to tenants, applicants and communities. The organisation provides a wide range of good practice information and resourcing to support members' Boards, management and staff. The Federation is also a Registered Training Organisation and the leading provider of social housing training in Australia. Through its Centre for Training in Social Housing, the Federation delivers both accredited training, such as formal qualifications in social housing management, and tailored workshops in response to members' needs. In addition, the organisation anticipates and supports members' directions and aspirations with effective research, policy development and analysis on key issues affecting the development of the industry, and strategies to support the changing business of the industry.

## About community housing

Community housing providers have been part of the NSW housing system for over 30 years. From small-scale, local beginnings a national industry has emerged, which is a significant component of the social and affordable housing system. Community housing providers are professionally managed and governed social enterprises, with a diverse range of services. Areas of activity include:

- Delivering high quality housing management services
- Building and procuring new dwellings to increase the supply of affordable housing
- Managing property portfolios for long term outcomes
- Partnering with commercial businesses, government agencies and other not for profit organisations to expand housing outcomes and improve services to tenants and communities.

Community housing providers are not for profit, charitable organisations whose principal business is the management and development of long term rental housing for low and moderate income households. The industry is focused on accountability and assurance to stakeholders. Since 2011, community housing providers have been independently regulated by the NSW Registrar of Community Housing. The NSW Regulatory Code is presently being transitioned into the new National Regulatory System, which draws heavily on the NSW regulatory approach.

In order to offer subsidised rents to low and moderate income households, community housing receives funding and other support from all three levels of government. This may include grant funding, transfer of public housing property management and/or ownership, concessions on taxes and levies, eligibility of tenants for rent assistance, and other forms of subsidy.

## Community housing growth

The community housing industry is growing and diversifying. Between 2006 and 2013 the number of properties under community housing management in NSW more than doubled. The industry currently manages 34,000 tenancies across very low, low and moderate income households, representing just over 20 percent of all social housing in NSW. As a result of properties transferred from public housing, community housing providers have built and bought almost 2,000 additional properties – this makes community housing the only part of the social housing system which is growing to meet rising demand. Providers are also diversifying their businesses by moving into new property types and serving new target groups, including disability housing. Across its 30 year history, the community housing industry has demonstrated its capacity to grow to meet new challenges.

Community housing providers are sustainable businesses, with income sources including rent, subsidies and fees for service. The industry's competitive advantage over other housing providers is based on its:

- Capacity to leverage its asset base to attract private finance
- Ability to access to the National Rental Affordability Scheme to deliver new dwellings for moderate income earners
- Ability to access Commonwealth Rent Assistance which averages \$3,000 per tenant per year
- Capacity to develop flexible policies to meet local needs and tenants' individual, changing circumstances
- Tax status, which includes exemptions on GST, land tax and stamp duty
- Capacity to work with developers and local government to deliver affordable housing through the planning system.

The industry currently owns \$1.6 billion worth of community housing properties, part of an asset base of over \$5 billion. Its rental income is now approaching \$300 million per year. As social enterprises with significant amounts of property under management, community housing providers make a long term investment in their communities. It is from this position of strength and stability that community housing providers collaborate and innovate with other organisations, including:

- The NSW Government – delivering social housing to people in high need
- Property investors and developers – building communities and increasing housing supply
- Local councils – tackling housing affordability issues and supporting local employment
- Social service providers – supporting tenants and communities.

## A note on terminology

Housing terminology can be used in varying ways by different authors. In this submission:

- The term *community housing* is used to mean long term rental housing delivered by not for profit organisations – it typically involves subsidised rent, set as a proportion of income, and is targeted at very low or low income households.
- *Public housing* is used to mean long term rental housing delivered by government agencies, with similar rent and eligibility policies as community housing.
- *Social housing* is a more general term, which is used to mean public and/or community housing.
- The term *affordable housing* is used to mean rental housing for low to moderate income households, predominantly but not exclusively delivered by not for profit organisations. It typically involves a lower or less permanent subsidy than community housing, with rents mostly set as a discount to market rent.

- The term *housing affordability* is used to refer to the general issue of the cost of housing relative to income.
- *Housing stress* describes the situation of low income households which pay more than 30 percent of income on rent or mortgage payments.

## About this submission

In this submission the Federation focuses on the roles that the community housing industry plays, and could potentially play, in responding to the need for social, public and affordable housing. The submission does not respond to term of reference 1(f).

# 1 Demand for social, public and affordable housing and in particular:

## (a) projections of future social, public and affordable housing supply and demand to 2020

- ❖ **Australia is facing a housing affordability crisis, which is severe in NSW and especially in Sydney**
- ❖ **Demand for affordable housing will continue to rise**
- ❖ **Community housing is an essential part of a comprehensive response to the situation**

## Overview of Australia's housing affordability crisis

Australia is experiencing a housing affordability crisis. Around 1 million households across the country are in “housing stress”, that is, low to moderate income households paying more than 30 percent of their income on housing.<sup>1</sup> While the crisis is nationwide, it is severe in NSW:

- 54 percent of low income home purchasers in NSW are in housing stress, compared to 48 percent nationally<sup>2</sup>
- 55 percent of low income private tenants are in housing stress, compared to 45 percent nationally.<sup>3</sup>

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1 AHURI, What Future for Public Housing A Critical Analysis 2010. AHURI

2 National Housing Supply Council 2013. The State of Supply Report

3 AIHW 2013. Housing Assistance in Australia 2013. AIHW Canberra; NCOSS 2013. Pre Budget Submission “Sharing the Benefits Making NSW Fairer, NCOSS; COAG Reform Council 2012. Affordable Housing 2010-11:

Nor is the effect limited to Sydney: the Centre for Affordable Housing identifies 28 local government areas with a high need for affordable rental housing. It includes areas in the Hunter, Central Coast, Wollongong and the central west of the state, as well as many part of the Sydney metropolitan area.<sup>4</sup>

The housing affordability crisis has worsened over the past decade as housing costs increased during the 2000s: between 1996 and 2006, average Australian house prices almost doubled relative to income after controlling for inflation.<sup>5</sup> In step with these increases, the amount that households spent on housing increased by 55 percent, more than any other household expenditure item.<sup>6</sup>

One of the main causes of the housing affordability crisis is a shortage of rental housing that is available and affordable to low and moderate income households. This gives rise to social exclusion and disadvantage, as key workers are not able to live in reasonable proximity to where jobs are located and low income households have to make tough choices to afford basic necessities such as food, utilities and health care. The extreme side of housing unaffordability forces these households to live in overcrowded conditions, insecure housing and even homelessness.

Lack of adequate housing supply is a large part of the problem: the National Housing Supply Council found a severe housing shortage of 73,700 homes in NSW alone, with a predicted national shortfall of 640,000 homes in the next 20 years.<sup>7</sup> For low and moderate income households, the problem is even more acute. The limited supply of housing that is available for rent at prices that are affordable to these households tends to be occupied by those who could afford to pay more, but who have been squeezed out of homeownership. This leaves a shortage of over half a million rental properties affordable and available nationally for renters on low incomes.<sup>8</sup>

These statistics are supported by the most recent Rent and Sales Reports from Housing NSW, which reveal steadily rising rents. They are also supported by the 2013 Anglicare rental snapshot,

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comparing performance across Australia. National Affordable Housing Agreement report to the Council of Australian Governments, 30 April 2012

4 <http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/For+Planners+of+Affordable+Housing/Where+do+we+need+affordable+Housing.htm>

5 Wulf. M et al 2011. Australia's private rental market: the supply of, and demand for, affordable dwellings, AHURI report No. 168

6 ABS 2011

7 National Housing Supply Council 2011. The State of Supply Report

8 National Housing Supply Council, *Housing Supply and Affordability – Key Indicators*, 2012

which found that just 23 of the nearly 13,000 private rental properties available in greater metropolitan Sydney on one weekend in April were affordable for low income households.<sup>9</sup>

Analysis by Sphere indicates that vacancy rates in the private rental market are a key driver of housing stress. Focusing on the Sydney metropolitan area, the analysis shows that vacancy rates have been well below 2 percent for most of the periods since mid-2006, and that in that time rents have increased by over 30 percent in previously affordable LGAs such as Liverpool and Fairfield. In addition, demand for temporary accommodation is shown to rise sharply when vacancy rates drop below 2 percent.<sup>10</sup>

Demand for affordable housing is driven by population growth and changes in household composition. The NSW population continues to grow and this translates into increased demands on housing supply. This is particularly evident in Sydney where most of the jobs and educational opportunities are located but also where housing is least affordable. The latest Census data shows that greater Sydney grew by 8 percent in the previous five years, and the NSW population grew by 5 percent<sup>11</sup>. This population growth is also continuing: in the year to June 2013, the population increased by 83,600 additional residents or an additional one percent.

Increasing overall housing supply is necessary but not sufficient to solve the problem. While the NSW Government is focusing on responding to the under supply of new homes by identifying new land releases on urban fringes, this alone will have little impact on the availability of rental housing for low and moderate income renters in locations where it is needed. Specific strategies are required to increase the supply of affordable rental housing across NSW and particularly in locations close to jobs and growth centres.

## The importance of the private rental market

Over time, Australian housing tenure patterns have changed, with fewer young and middle aged people owning or purchasing their home, and fewer household owning their home outright across all age groups. Australia's traditionally high home ownership rate of around 70 percent is sustained primarily by the high rate of ownership of the present generation of older people. It is almost certain that the aggregate rate of home ownership will drop and the proportion renting will increase

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<sup>9</sup> <http://www.housing.nsw.gov.au/About+Us/Reports+Plans+and+Papers/Rent+and+Sales+Reports/Latest+Issue/>; [http://www.anglicare.asn.au/site/rental\\_affordability\\_snapshot.php](http://www.anglicare.asn.au/site/rental_affordability_snapshot.php)

<sup>10</sup> Ferrer, E. 2013 The Private Rental Market, Affordability and Homelessness, presentation to Shelter NSW conference

<sup>11</sup> ABS Census of Population and Housing 2011

significantly as first home buyers are increasingly missing out on homeownership<sup>12</sup>. This trend is acknowledged in the final State of Supply report from the now-disbanded National Housing Supply Council, which notes that the national home ownership rate will continue to decline as the population ages.<sup>13</sup>

Due to affordability pressures, the character of the private rental market has changed markedly: renting has become a long term experience rather than transitional pathway for many households. Given the high levels of unaffordability in the private rental market, this is not a viable solution. The private rental market is not structured to provide an adequate supply of housing for low to moderate income groups. It is characterised by individual investors with an average of one or two investment properties. These investors are often “accidental landlords” whose ownership reflects unplanned life events such as breakdown or formation of relationships, or inheritance. Other investors enter the market motivated by speculative capital gains or to capitalise on negative gearing. No equivalent tax incentives exist for institutional investors in rental housing. This approach has not delivered the scale of rental accommodation required for low or moderate income households. In addition, negative gearing has been linked to house price inflation which further erodes affordability<sup>14</sup>. Along with unaffordable rents, for tenants the structure of the private rental market results in insecurity of tenure.

Demand for affordable housing will continue to rise across very low, low and moderate income households, as market pressures continue to price households out of home ownership, thereby displacing low to moderate income private renters from affordable rental properties.

As with the supply of housing generally, increasing the supply of private rental properties is necessary but not sufficient to solve the problem. Since the market does not provide rental housing which is affordable to people on very low to moderate incomes, specific strategies are required to increase the supply of affordable rental housing.

The submissions from Shelter NSW, the Tenants Union of NSW and Homelessness NSW to this Inquiry document the housing affordability crisis in further detail.

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12 In September quarter 2013, there were only 7.4 per cent of first home buyers across the NSW housing purchase market: Sydney Morning Herald. “Baby boomers continue to squeeze out first-timers”. 14 January 2014 <<http://smh.domain.com.au/real-estate-news/baby-boomers-continue-to-squeeze-out-firsttimers-20140113-30qx1.html>>

13 National Housing Supply Council State of Supply Report 2013 p.iv

14 Eslake, S. “Crunch Time for Negative Gearing”. Insight No.4, Victorian Council of Social Services

## The public housing response

Public housing is the traditional response to housing affordability issues. Public housing, however, is a very small proportion of our housing system, just 4 percent in NSW,<sup>15</sup> and cannot provide a comprehensive response. The scale of the housing affordability crisis means that housing stress affects not just the very low and low income households eligible for public housing, but also moderate income households and those on average wages.

Historically, public housing in Australia was directly funded by government through a system of government loans, rental income and government rental subsidies. Over the years this system has become increasingly inadequate. Allocation policies have resulted in a much reduced rental income stream. Operating shortfalls have been funded by deferring planned maintenance, and a sell down of the portfolio. A shrinking public housing system cannot hope to address the length of the waiting list, or the time eligible households can expect to wait for housing. As at 30 June 2013 there were 57,451 households on the NSW social housing waiting list, representing approximately 120, 000 people and growing by 3.4 percent per year.<sup>16</sup> This is in the context of a state population which grew 9 percent in the six years to June 2013.

The NSW social housing waiting list is not a sufficient proxy to estimate demand for social housing. While public housing is increasingly targeted to high need applicants, there are many people eligible for social housing and on the waiting list who have no realistic hope of being housed: as at 30 June 2013, 54 percent of all new tenancies were allocated to priority approved applicants.<sup>17</sup> There is also latent demand, with people who would be eligible not joining the waiting list, as well as significant levels of housing stress among income groups which are not even eligible for social housing, such as key workers and other moderate income earners.

Between 2001 and 2010, the social housing portfolio owned by the NSW Government fell by 3,000 dwellings, representing a 3 per cent drop.<sup>18</sup> While some additional social housing supply was achieved through the use of properties headleased from the private rental market, the total supply of housing for social housing tenants fell. It was estimated that the current provision of social housing only meets 44 per cent of need in NSW.<sup>19</sup>

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15 AIHW 2013. Housing Assistance

16 NSW Auditor General 2013. Making the Best Use of Public Housing. NSW Auditor General Report Performance Audit, p.2.

17 FACS Annual Report 2012 -2013, p.38. NSW Government

18 AHURI 2010. What Future for Public Housing -A Critical Analysis, AHURI

19 NSW Auditor General 2013. Making the Best Use of Public Housing. NSW Auditor General Report Performance Audit, p.2.

The 2013 State of Supply Report highlights that social housing's proportion of the housing system will quickly decline in the absence of new funding.<sup>20</sup> Instead of new funding, however, the Government is projecting further decreases in coming years:

- The overall capital expenditure in the 2013/14 housing budget is \$280 million less than the 2012/13 budget
- Social housing maintenance expenditure is down 20 percent
- Similar reductions in capital expenditure are forecast in the forward estimates.<sup>21</sup>

## The community housing response

Community housing is well placed to play a more active role in the supply of affordable housing to very low, low and middle income earners. While the public housing response is shrinking and targeting, the community housing response to the housing crisis is to seek to expand by housing a wider range of tenants and optimising the use of available government subsidies by leveraging private finance. This has a multiplier effect: funding one new public housing property will only ever provide housing for one additional household, but funding one new community housing property has the capacity to provide housing for more than one additional household. This approach helps create a more viable system, which is sustainable for the long term.

The community housing business model is not self-funding: government subsidies are required for tenants who cannot afford to pay the full cost of their housing. Community housing's balanced approach means that not all tenants require a high level or permanent subsidy, allowing for transparent cross-subsidies within the portfolio. Community housing providers are sustainable businesses, with income sources including rent, subsidies and fees for service. The industry's competitive advantage over other housing providers is based on its:

- Capacity to leverage its asset base to attract private finance
- Ability to access to the National Rental Affordability Scheme to deliver new dwellings for moderate income earners
- Ability to draw on Commonwealth Rent Assistance which averages \$3,000 per tenant per year
- Capacity to develop flexible policies to meet local needs and tenants' individual, changing circumstances
- Tax status, which includes exemptions on GST, land tax and stamp duty

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<sup>20</sup> National Housing Supply Council State of Supply Report 2013 p.v

<sup>21</sup> NSW Government 2013. NSW Budget 2013/14. Budget Paper No. 3

- Capacity to work with developers and local government to deliver affordable housing through the planning system.

The industry currently owns \$1.6 billion worth of community housing properties, part of an asset base of over \$5 billion. Its rental income is now approaching \$300 million per year, from the management of 34,000 tenancies across very low, low and moderate income households.<sup>22</sup> Community housing providers manage just over 20 percent of all social housing in NSW. As a result of properties transferred from public housing, community housing providers have built and bought almost 2,000 additional properties – this makes community housing the only part of the social housing system which is growing to meet rising demand.

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<sup>22</sup> NSW Registrar of Community Housing 2013 Sector Snapshot February 2013

## **1 Demand for social, public and affordable housing and in particular:**

### **(b) data regarding the link between the lack of appropriate social, public and affordable housing in NSW and indicators of social disadvantage**

- ❖ **Secure, affordable housing is the foundation for successful participation in the community and the economy**
- ❖ **By providing this to a diverse range of tenants, community housing providers have a significant positive impact on tenants and communities**
- ❖ **The NSW Government has an interest in measuring the value of providing affordable housing, at a whole of government and whole of community level**

## **The impact of the lack of appropriate and affordable housing**

The housing affordability crisis has a profound negative impact on people on low to moderate incomes, forcing them to make difficult choices about their housing:

- They can pay disproportionately high housing costs, leaving them unable to afford basic necessities such as food, utilities and health care
- They can live in inappropriate housing, which may be overcrowded, or located far from employment and services, or marginal housing such as boarding houses, or one of many forms of homelessness
- Or a combination of the above.

Studies have demonstrated the types of negative impacts that flow from a lack of appropriate and affordable housing. Since housing is so central to people's lives, it is no surprise that these negative impacts are very wide ranging, as illustrated:<sup>23</sup>

### **The negative impacts of the lack of appropriate and affordable housing**

The British Medical Association has found that “multiple housing deprivations appears to pose a health risk that is of the same magnitude as smoking and, on average, greater than that posed by excessive alcohol consumption”.<sup>24</sup> Housing researchers agree: living in a disadvantaged neighbourhood, compared to living in a less disadvantaged neighbourhood, has been found to be associated with poorer learning and behavioural outcomes for children, and reduced job and educational prospects.<sup>25</sup> Conversely, the security of tenure provided for tenants by social housing

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23 Dahlgren, G. and Whitehead, M. 1991 Policies and strategies to promote social equity in health. Stockholm, Institute for Future Studies

24 British Medical Association, Housing & Health, British Medical Association, 2003

25 Addressing Concentrations of Disadvantage: Policy, Practice and Literature review By Hal Pawson, Gethin Davison and Ilan Wiesel, AHURI Final Report, 2012; Leventhal, T., & Brooks-Gunn, J. (2000). The neighbourhoods they live in: The effects of neighbourhood residence on child and adolescent outcomes. Psychological Bulletin, 126, 309–337; Kling, Jeffrey R., Jeffrey B. Liebman, and Lawrence F. Katz. 2007.

provides the foundation for a person's successful participation in the community and the economy. A recent AHURI study concluded that social housing enhanced tenants' health and education outcomes, as well as delivering affordability.<sup>26</sup>

The negative effects of the lack of appropriate and affordable housing not only have an individual human cost but also have a cost to society and the wider economy. The NSW Government therefore has an interest in measuring the impact of providing secure, affordable housing. As the impact is felt not just by tenants but across the community, it needs to be measured at a whole of government and whole of community level.

### Snapshot

Mission Australia undertook a cost benefit analysis of their RESOLVE project, a one-off, time-limited response to assist people with mental illness who are at risk of losing social housing tenancy due to diminished wellbeing or relapse of mental illness. The analysis found that for every \$1 invested by the Government, the Government saves \$13.50 and the total benefit to society as a whole is \$19.50. These savings came from reduced health, judicial and homeless services costs.<sup>27</sup> Using social return on investment analysis (SROI) an independent report calculated the total annual benefit that community housing contributes. The total was \$664,828,780 made up from savings in health, social inclusion, education and the wider economy.<sup>28</sup>

Through social return on investment analysis and other approaches to measuring impact, community organisations are beginning to demonstrate the cost effectiveness of investing in support and other services. The Federation is working with the Department of Family and Community Services (FACS) through the Community and Private Market Housing division, on understanding this specifically in relation to community housing providers. Further research could be led by NSW Treasury, supported by the Department of Premier and Cabinet, to evaluate the return on investment on the subsidy provided to social and affordable housing tenants. This may include savings to Health, Education and Corrective Services budgets.

### **Proposal 1. The NSW Government to initiate research into the impact of providing secure, affordable housing on agency budgets and across the community.**

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"Experimental Analysis of Neighbourhood Effects." *Econometrica* 75 (1): 83–119; P Phibbs, Housing assistance and non-shelter outcomes, AHURI, Final report No. 74, 2005

26 AHURI (Australian Housing and Urban Research Institute) 2005. The health, employment, and education benefits of public housing. AHURI research and policy bulletin. Issue 54. Melbourne: AHURI

27 Mission Australia, Resolve Cost Benefit Assessment, 2013

28 Net Balance Foundation, The Social Value of Community Housing in Australia, August 2011

## Community housing's approach to breaking disadvantage

Community housing providers are expert in giving tenants access to the supports and services required to take advantage of opportunities such as employment and education, and to engage more fully with the community. In the 2007 National Social Housing Survey, the vast majority of community housing tenants reported that their housing gave them better access to services (79 percent) and allowed them to feel part of the community (75 percent).<sup>29</sup> Importantly, another study linked security of tenure with improved employment outcomes.<sup>30</sup>

In the 2012 National Social Housing Survey, community housing tenants were asked whether they thought living in social housing had changed their quality of life. Almost 75 percent responded that their quality of life had improved since moving into community housing. The same independent survey found that the vast majority of tenants felt more settled in general, better able to pay their rent and were better able to cope as a result of living in social housing. These positive outcomes are summed up from a quote from a community housing tenant:<sup>31</sup>

*"I have been provided with secure, affordable housing in an area, which has led me to gain part-time work [and] has given me and my partner an opportunity to participate in society and take care of our health as we get older".*

Case studies from South Eastern Aboriginal Regional Management Services (SEARMS) and Argyle Community Housing are included at the end of this section. These illustrate the effects which community housing providers can have on tenants and on communities more generally.

As well as transforming individuals' lives, community housing can help to maintain a diverse and mixed community by allowing low to moderate income earners to live in areas that otherwise would be impossible for them to do so. One way that community housing providers are able to flexibly and efficiently respond to the need for housing is through the Community Housing Leasehold Program. This program enables a community housing provider to source leasehold properties from the private rental market which it then sublets to eligible tenants at the usual community housing rent.

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<sup>29</sup> National Social Housing Survey, 2007

<sup>30</sup> Beer A & Faulkner D 2009. 21st century housing careers and Australia's housing future. AHURI Final report no. 128. Melbourne: AHURI

<sup>31</sup> National Social Housing Survey, 2012

## Case study

South Eastern Aboriginal Regional Management Services (SEARMS) is an Aboriginal owned and controlled community housing provider. The Garindja Walawaani Program is based on a pilot developed by Campbell Page Indigenous Services, a local arm of a large multinational non government organisation. The program aims to tackle truancy and provide a pathway to re-engage local children back into school. There are many local partners in the program including agencies involved in education, juvenile justice, policing, individual community members (as mentors), the local Koori community and the local council.

SEARMS is also a key partner in the initiative as the children involved are identified as being at risk of homelessness. SEARMS offers its training facilities and uses its relationships in the local community to encourage families to engage. The program is a good example of what a local community housing provider can achieve outside of housing management and delivery.

The key outcomes of the program include:

- Increased attendance rates: of the 15 students, 14 achieved significant increases in their attendance rates compared with the previous term at school; one student who had struggled to attend school more than half the term organised a lift or bus ride every day for 40km to ensure they attended the program
- Most participants received formal first aid qualifications
- Development of employability skills
- Shift in attitudes towards learning and formal education – most of the participants went on to successfully re-engage in the school system
- Decreases in risk of homelessness – many of the students' families were at the point of breakdown due to poor attitudes, behavior and lack of discipline – this was turned around by participation in the program.

## Case study

Argyle Community Housing manages over 2,300 tenancies, including all the social housing properties in the Young local government area. In general, tenants in Young are socially and financially disadvantaged, with approximately 97 percent of households receiving some form of social benefit. There is a lack of services in the area, particularly for children, and Young has been classified as an “at risk” community for youth crime

In June 2011, Argyle was approached by Compact, a partnership broker, to participate in the Live Works Live Skills (LWLS) Program. The program aims to involve local disengaged youth by offering on-site training in basic trade skills. Other organisations participating in the program include Young High School, Young Shire Council, Young Rotary Club, Centrelink and the Riverina TAFE.

It was agreed that the upgrade of Rotaract Park, a one acre block of land bordered by social housing properties, would not only meet the objective of the program but also bring significant value to the local community by creating a functional and attractive public space for local residents, with recreational and sporting facilities for youth, which would encourage greater interaction between social housing and private residents. As the landowner, Young Council agreed to support the proposal to redevelop the park.

Argyle engaged Landscape Architect, Nicholas Bray, to create a preliminary concept for the park redevelopment. A community consultation was held with local residents who fully supported the redevelopment and were keen to be involved. On the advice of residents, minor amendments were made to the Master Plan to include a half cricket pitch, toilet block and rubbish bins. Several residents volunteered as a Neighbourhood Watch to ensure that antisocial problems did not occur during the upgrade.

The redevelopment includes:

- Terraced seating and an amphitheatre
- Half basketball court and cricket pitch
- BBQ facilities
- Children’s playground
- Children’s sensory garden and screen planting
- Timber bench seats, tables and shade structure
- Pedestrian path.

## **1 Demand for social, public and affordable housing and in particular:**

### **(c) housing design approaches and social service integration necessary to support tenant livelihoods and wellbeing**

- ❖ **Community housing providers have the flexibility and local knowledge to deliver or broker a wide range of services to tenants**
- ❖ **Community housing providers operate as the hub which links up government services to help meet tenants' needs**
- ❖ **Community housing providers have a good track record of working with a wide range of stakeholders and the community**

While there is a wealth of material on the link between housing design and tenant outcomes, in this submission the Federation confines its comments to the integration of social services with housing to offer tenant opportunities and support tenant wellbeing.

## **Why there is a growing need to support tenants through social service integration**

Given the importance of housing it is vital that support services are available when needed to help maintain tenancies and to open opportunities for tenants to improve their lives for example by accessing training, education or employment.

The increasingly limited provision of social housing within NSW has become targeted towards tenants with high needs. Compared to the general population, social housing tenants are more

likely to face some form of disadvantage such as unemployment, physical or mental disability. This level of disadvantage means that some community housing tenants have high support needs. This can also include the need for multiple support services to help with different specialised issues. For example, in 2012, 48 percent of community housing households in NSW had used health/medical services in the past year, while 23 percent had used mental health services.<sup>32</sup> This profile also means that these tenants are more likely to need a home designed to enable them to live independently.

## The community housing industry understands the need for service integration to support tenant livelihoods and wellbeing

The core business of community housing is the provision of social and affordable rental accommodation. Since a safe and secure home is a fundamental need this provision already dramatically improves the livelihood and wellbeing of families on low to moderate incomes. The industry is diversifying and seeking additional ways to offer a range of additional “non housing” or “housing plus” integrated services to meet the needs of tenants and the wider community. These services are normally brokered through a range of partnerships with government, the private sector and other not for profit organisations.

Integrating services is challenging. To be successful at this requires time, financial resources, shared goals and leadership to overcome organisational, sectoral and program “silos”.<sup>33</sup> Community housing providers make the commitment to facilitate integrated services because they understand that it can be an effective way of enabling tenants to maintain their tenancy. Where there are silos in Government, for example, within the Department of Family and Community Services (FACS), between FACS and Education or Health, community housing providers can be the hub which links these services for tenants.

It has long been recognised that a key strength of community housing is the industry’s ability to respond to local needs, bring in other community resources and provide or facilitate a wide range of services to assist tenants.<sup>34</sup> Why the industry is able to perform this role is because community housing aims to blend a social mission with financial viability and sustainability. In addition it has long established, strong community links. This means that the industry is recognised as having a long term commitment to the communities in which it works.

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<sup>32</sup> The 2012 National Social Housing Survey

<sup>33</sup> Enhancing the effectiveness of Australian social housing integration initiatives, AHURI 2006

<sup>34</sup> Department of Housing and Works, 2002

Community housing is also able to use this local presence and connections to link tenants with their neighbours and communities. In doing so this encourages the voluntary connections which are the heart of community engagement. To facilitate and enhance these offerings, some community housing providers are now employing community development workers. The Productivity Commission identified that approach differentiates community housing from public housing.<sup>35</sup>

Community housing providers have the flexibility and local knowledge to deliver or broker a wide range of services to tenants, including:

- Support partnerships to ensure sustainable tenancies
- Access to training and education
- Access to employment opportunities
- Linking tenants with their neighbours and communities.

Services delivered through this approach include family and tenancy support which can be highly effective at sustaining tenancies. This helps to break the cycle of disadvantage where vulnerable people revolve in and out of homelessness. To ensure that tenants with special or complex needs are able to sustain their tenancies it is very common for community housing providers to have specialist teams or people within their organisation to coordinate the high level of support required from different agencies. An example of this approach is SGCH, which has its own sustainable tenancies team: currently SGCH has operating agreements with 45 community agencies that support 558 tenants.<sup>36</sup> Another example is Link Housing which currently holds 178 agreements with supported tenancies.<sup>37</sup> This level of engagement with support providers via a range of formal and informal memoranda of understanding, contracts, agreements and working arrangements, is typical of the community housing industry.

Other instances of services delivered through a range of partnerships include education, skills and employment programs, environmental sustainability projects, access to childcare and in-home health assistance and financial inclusion initiatives. Many of the users of these services are from disadvantaged groups such as the elderly, people with a physical or intellectual disability and Aboriginal people. Community housing providers are even creating new forms of service delivery through the establishment of social enterprises where tenants are delivering services themselves.

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<sup>35</sup> The Productivity Commission, 2010

<sup>36</sup> SGCH Annual Report 2012-13

<sup>37</sup> Link Housing Ltd Annual Report 2012-13

The following examples illustrate the scope of services offered through community housing providers:

- **Physical disability** North Coast Community Housing in partnership with Lifebridge East and Ko;ho designed and developed a four-unit house which has enabled four people with a disability, who would otherwise still be living with their ageing parent carers, to live independently in the community of Murwillumbah.
- **Intellectual disability** Homes North working in partnership with Richmond PRA were selected through an open tender process to deliver new intensive support and accommodation packages which will provide an opportunity for clients with an intellectual disability to exit institutional care and integrate into the community. The funding includes a capital grant to upgrade and redevelop an existing site managed by Homes North in Tamworth.
- **Homelessness** Platform 70 in Woolloomooloo (operated by Bridge Housing) and Project 40 in Western Sydney (operated by Wentworth Community Housing) provide housing with support to homeless people based on the “housing first” model. In these projects, the community housing provider brokers accommodation from the private rental market, delivers tenancy management services directly, and partners with specialist support agencies which deliver support. Bridge Housing works with a range of partners including Neami Way2Home and Aboriginal Assertive Outreach Service which provide the wrap around support from street to home. In the case of Wentworth Community Housing there are more than 80 active partners, operating across three large local government areas (Blacktown, Nepean and Blue Mountains). Mission Australia Housing also operates Common Ground, another model where housing and a range of support are co-located.
- **Refuge service** Housing Plus operates a refuge for women and their children experiencing domestic violence in Orange. The refuge is an innovative crisis accommodation model, designed in consultation with domestic violence network members, health and community service providers and local government and government departments.
- **Policing** Community housing providers use Record of Understanding to enable them to work in partnership with the police to tackle crime and anti-social behaviour.
- **Crisis accommodation** Community housing providers also manage housing specifically designed to provide a pathway for homeless people from crisis to long term independent living. Community housing providers operate in partnership with specialist homelessness services, for example, by housing clients nominated by the homelessness service which provides transitional support. In addition, community housing providers can also provide crisis accommodation through their own rapid rehousing models. One example of this is Hume Housing’s Temporary Accommodation program (TAP). This model provides cost effective, fully furnished accommodation for homeless singles, couples and families, reducing Housing NSW’s use of motels for crisis accommodation. Hume conducted a review of the program which demonstrated that in 2011/12 it saved Housing NSW over \$600,000 in crisis

accommodation costs. This was in addition to providing a far more appropriate setting to assess and address customers capacity to obtain a sustainable tenancy.

- **Community volunteers** Southern Cross Community Housing is the lead agency in “Yard Assist”. The aim of the group is to provide volunteer based services for people in need of support around the house and garden.
- **Youth services** Argyle Community Housing is part of the WIN (Wagga Impact Network) Child Family Youth Alliance, which reinforces services from non government organisations within the Wagga community. The Alliance comprises 11 leading agencies that work to address service coordination, funding and role distribution.

Case studies from Compass Housing Services and SGCH are included at the end of this section. These further illustrate community housing providers’ expertise in supporting tenants through the provision of a wide range of services.

## Positive feedback from partners and tenants

The ability of community housing providers to work in partnership both now and into the future is illustrated by supportive stakeholder feedback.

### Snapshot

Bridge Housing works with over 40 partner agencies, providing valuable support to high need tenants. In June 2012, Bridge Housing conducted an independent satisfaction survey with its partner agencies. The results of this survey were very positive: 90 percent of respondents reported that their partnership with Bridge Housing met their expectations, and 88 percent were satisfied with their current partnering arrangements.<sup>38</sup>

In addition to high satisfaction levels from partners, community housing providers also receive very positive feedback from their tenants. As an example, in an independent survey Argyle Community Housing received an overall tenant satisfaction rating of 89 percent, and 87 percent stated that they would recommend the organisation to their friends and family.<sup>39</sup>

### **Proposal 2. The NSW Government to increase the effectiveness of services to tenants by supporting the growth of community housing.**

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<sup>38</sup> Bridge Housing Ltd Annual Report 2012-13

<sup>39</sup> Argyle Community Housing Ltd Annual Report 2012-13

## Case study

Compass Housing Services aims to alleviate the hardship of housing stress for low to moderate income households by providing secure and affordable housing and delivering housing products for disadvantaged people who have difficulties sourcing adequate and affordable housing.

Over the last 18 months Compass has worked with stakeholders of the Muswellbrook community and other community organisations, government services and businesses to improve the wellbeing of the community and to be proactive in the area of service improvement and crime prevention initiatives.

For example, Compass has been involved in:

- Cinema under the Stars night in the Hunter Park on 14 December 2014, contributing towards a jumping castle and supervision for the night
- Contributing towards school holiday fun at Hunter Park and holding an Australia Day party for the children within the estate in conjunction with Upper Hunter Community Services and Family Insight
- Outreach services to the estate every Tuesday morning
- Holding a property care session in September/October with Upper Hunter Community Services which focused on spring cleaning.

Future projects include:

- Clean-up Australia Day
- Working as a key stakeholder with the local council on a master plan for Muswellbrook South
- A Compass Connect Project in Hunter Park, with an artist funded to work with children in the community to put together a mosaic, taking ownership of their and community and contributing towards making it a nicer place thereby reducing the risk of vandalism.

Compass has also worked with the local council and police to improve the environment within and around the South Muswellbrook estate, in a joint initiative known as "Operation Stormbreaker". The focus is on identifying anti-social behaviour and nuisance issues and putting in place initiatives aimed at improving the ambiance of the estate. To date, these have included implementing a clean up using skip bins and street sweeping of the South Estate, cutting back of bushes and trees in council owned parks, identifying unregistered dogs and increasing ranger patrols.

## Case study

SGCH is the largest community housing provider in NSW, which has been helping people in housing need for 28 years. The organisation currently houses over 8,000 people in more than 4,000 properties across 23 local government areas. The organisation aims to reduce social and economic disadvantage through the provision of secure, affordable and sensitively managed housing for people on very low to moderate incomes throughout the Sydney metropolitan area.

SGCH believes that providing secure, affordable housing is the first step in helping those in need to rebuild their lives. The organisation believes that it is just as important to provide tenants with links to education and training, employment opportunities and financial assistance, and has developed a number of products and services designed to achieve this.

Each year SGCH provides a number of tenants with a financial bursary which they can put towards the cost of educating themselves or their families. Some bursary recipients use the grant to pay for textbooks while others buy computing software or pay tuition fees. What each of the recipients has in common is the opportunity that the bursary grant provides, and the doors that it opens for them – and that is truly invaluable.

Since the scheme started in 2005, 617 bursaries and scholarships have been awarded, worth nearly \$520,000. One recipient, Hassan is studying Aviation Management at the University of NSW. In his words: “Without the bursary and encouragement from SGCH most people would not be encouraged to pursue their education, I am grateful to be a recipient of the scheme as it has helped me get closer to my goals in life.”

# 1 Demand for social, public and affordable housing and in particular:

## (d) maintenance and capital improvement costs and delivery requirements

- ❖ **The public housing business model no longer works – in NSW or anywhere around Australia**
- ❖ **Long term under-investment in asset management combined with increased targeting of housing to the most vulnerable tenants means that public housing expenditure far outstrips income**
- ❖ **Community housing providers take a different approach, with prudent portfolio management and a more diverse tenant mix**

## The public housing business model

As the recent Auditor-General's report "Making the Best Use of Public Housing" identifies, the public housing business model is effectively broken: "Public housing is ageing and increasingly not fit for purpose. It is declining as a proportion of overall New South Wales housing. There is an increasing shortfall between the supply of and demand for public housing."<sup>40</sup>

This situation has not arisen overnight. For over a decade, researchers and public policy practitioners have identified a looming structural deficit.<sup>41</sup> Nor is the situation unique to NSW.

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40 Audit Office of NSW 2013 Making the Best Use of Public Housing executive summary

41 See for example Hall, J. & Berry, M. 2004 Operating deficits and public housing: policy options for reversing the trend AHURI Final Report No.55; Hall, J. & Berry, M. 2007 Public housing: shifting client profiles and public housing revenues AHURI Final Report No.108

Across Australia, state housing authorities are facing similar situations due to long term under-investment in maintenance and asset management, little or no funding for new supply, and increased targeting to high need tenants. This combination leads to an increase in the cost of tenancy management, a decrease in the value of the asset, and a decrease in the rental income stream.

The Auditor-General's report notes that Land and Housing Corporation, within the Department of Family and Community Services (FACS) continues to sell social housing properties, and delay maintenance and capital works, in order to meet budget.<sup>42</sup> This approach cannot be sustained financially: it leads to a social housing system which is smaller and less viable, with even lower income streams and further de-valued assets. The 2013/14 Budget Papers indicate that capital expenditure on social housing is predominantly funded by asset sales of around \$190 million, which represents a significant disposal program. This is confirmed by the Auditor-General's report, which identifies that FACS will dispose of more than twice as many properties as it procures over the coming four years, with over 1,000 properties to be sold or demolished each year.<sup>43</sup>

In a context in which community housing providers have leveraged almost 2,000 additional social and affordable housing properties over the past few years, it is counter-intuitive that public housing would continue to sell down the portfolio.

A viable public housing business model would not need to be self-funding. The delivery of social or affordable housing to people on very low and low incomes is a public good. Tenants pay rent, but at levels below the market and below the cost of delivery. Accordingly, there will always be the need for a subsidy of some kind even within the most efficient public housing system. What is important is for the subsidy to be spent effectively, and to generate the outcomes sought so that it can be genuinely considered an investment.

## Community housing business models

We need new business models for the delivery of social and affordable housing, which do not reproduce the situation facing public housing. As noted earlier in the submission, community housing providers are sustainable businesses, with income sources including rent, subsidies and fees for service. Specifically in relation to maintenance and asset management, community housing providers are active portfolio managers. They seek to ensure the value of the asset through appropriate responsive and cyclical maintenance, and through redevelopment of properties to meet the changing needs of tenants and applicants. It must be noted that the industry's capacity to manage its portfolio actively is somewhat constrained by providers' limited control over most

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<sup>42</sup> Audit Office of NSW 2013 Making the Best Use of Public Housing p.3

<sup>43</sup> Audit Office of NSW 2013 Making the Best Use of Public Housing p.11

properties under management. Most of the properties which community housing providers manage are owned by FACS, with the responsibility for responsive and cyclical maintenance, property upgrades and disposals shared between the community housing provider and FACS.

Despite these constraints, community housing providers are measured on their approach to long term asset management in their regular assessments by the NSW Registrar of Community Housing. Under the new national regulatory code, which is closely based on the previous NSW regulatory code, all but the smallest providers are required to have comprehensive long-term strategic asset management plans, including rolling 10 year costed plans, mapped against current and projected housing needs analyses. They are also required to undertake comprehensive property inspections on all properties every three years. Tier 1 providers, which undertake development programs, are required to demonstrate that projects are managed to minimise budget and timeframe variations. The Registrar looks for strategic growth plans, with scenario planning and stress testing, to manage development risks appropriately. Providers are also assessed on the viability of their capital structure, and on their financial performance more generally. In addition, providers are expected to survey tenants regularly to determine satisfaction levels, including with maintenance, against a threshold of 75 percent satisfaction.<sup>44</sup>

### **Snapshot**

Based on its internal expertise in asset management, Wentworth Community Housing won a contract in 2013 to provide repairs, maintenance and upgrades to properties managed by 44 specialist homelessness services across northern metropolitan Sydney. The organisation has also established a Future Planned Maintenance Reserve Fund, to ensure that the long term repair and maintenance cost of its properties is fully budgeted, so that sufficient funds are available for those years when operating revenues would not cover the planned costs.

### **Snapshot**

Compass Housing Services developed a long term Asset Management Framework, including: a 10 year Asset Management Strategy (AMS), 3 year Maintenance, Acquisitions and Disposals plans, and supporting policies such as asset governance, risk management, probity & procurement, program business rules, technology enhancement plans.

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<sup>44</sup> National Regulatory System for Community Housing Directorate Evidence Guidelines; National Regulatory System for Community Housing Directorate Registration Return Guide

The purpose of the AMS is to provide the Compass board, executive staff, tenants and other stakeholders an easy to grasp picture of the rationale, strategic drivers and plans for the management and growth of Compass' assets into the future. To improve Compass' forecasting of planned maintenance expenditure, a full review of planned maintenance tasks, costs and lifecycles was undertaken.

These parameters were then applied to the asset portfolio, taking into account dwelling types and age. Compass now has a more reliable and accurate basis on which to plan and budget planned and responsive maintenance into the future. Compass has also developed a Strategic Dwelling Value Model that identifies the performance of dwellings against criteria of profitability, condition, amenity, and match with demand. This model enables Compass to analyse its asset portfolio and identify those assets that require intervention, either by improving the asset or by disposing of it from the portfolio.

# **1 Demand for social, public and affordable housing and in particular:**

## **(e) criteria for selecting and prioritising residential areas for affordable and social housing development**

- ❖ **Affordable housing is critical infrastructure**
- ❖ **The high cost of housing forces many households to live in areas with limited access to employment, training, transport and other essential services**
- ❖ **The location of social and affordable housing needs to increase, rather than constrain, tenants' capacity to participate in employment, education and community activities**

## **Affordable housing is critical infrastructure**

The availability of housing that is affordable to a range of household incomes in areas with access to transport, employment, training, schooling and other essential services is an essential component of a functioning economy as well as a fair society.<sup>45</sup>

When very low, low and moderate income households cannot afford housing in these areas, they either live in housing stress or are forced to find affordable housing further away. This has significant social, economic and environmental impacts on households and communities. Migration due to economic pressures leads to the fragmentation of social support networks and the

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<sup>45</sup> Spiller, M 2013 Social division, social housing and productivity: a Brisbane case study, SGS Economics and Planning Pty Ltd

concentration of social disadvantage. Increasing distances between housing and workplaces has costs on infrastructure, environmental costs via pollution, social and economic costs due to excessive commuting time, and costs to business from hiring labour from outside their region to perform essential services. Crucially, it makes it less likely for people to participate in the labour market, or engage in other opportunities such as education and training.

These effects are felt by a wide range of low income workers, including: care workers, cleaners, transport workers, construction workers, retail staff, couriers and finance industry staff, as well as the more traditional “key workers” of police, teachers and nurses. A recent report by Australians for Affordable Housing analysed the 40 local government areas where low paid workers are most likely to find employment. They found that housing was unaffordable for these households in every one of the 40 areas. In some areas, low paid workers would need to pay more than half their income on rent in order to live in the area where they work.<sup>46</sup>

It is time to acknowledge housing affordability as an economic issue: the delivery of affordable housing is equally important as the delivery of other critical infrastructure such as roads, public transport and the supply of utilities. The supply of affordable housing is an investment, which will deliver a return to the community.

## Prioritising areas for social and affordable housing

In NSW there is a growing number of households that cannot access affordable housing because of insufficient income, housing shortages, or a combination of these factors. Typically this includes:

- Young people undertaking education or training or entering the labour market for the first time
- Single parents
- Single people on low incomes
- People with special needs
- Retirees who do not own their home
- Indigenous families
- Lower paid workers whose jobs are located in high cost areas.

In the coming years, overall population increases and in particular the increase in single person households and the ageing of the population will put pressures on an already strained housing market. As discussed earlier in the submission, there is a need to increase the supply of housing that is affordable to a range of incomes.

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<sup>46</sup> Australians for Affordable Housing, *Opening the doors to employment*, 2013

In order to promote tenants' participation in employment, education, training and other opportunities, social and affordable housing needs to be prioritised in areas with good access to transport, employment and education. This includes ensuring that social and affordable housing is located throughout metropolitan Sydney and in the larger regional centres, rather than concentrated in areas with poor access to services. This is explicitly acknowledged, for example, in the program guidelines for the National Rental Affordability Scheme (NRAS), where proposals are assessed on their capacity to deliver affordable housing within walking distance of public transport, in order to ensure tenants have access to employment and training.

**Proposal 3. The NSW Government to consider applying similar locational principles as those used in the NRAS program to all social and affordable housing projects, in order to support tenants' access to employment and other forms of participation.**

The Government also needs to take a strategic approach, identifying major projects which are likely to create long term jobs, and ensure that additional affordable housing is delivered in the area.

## Community housing providers are well placed to manage social and affordable housing in mixed communities

Community housing providers are expert at managing social and affordable housing tenancies in a variety of contexts including: high cost areas, individual properties scattered throughout neighbourhoods, and developments featuring mixed income and mixed tenure.

### Snapshot

Bridge Housing operates in some of the highest cost property markets in NSW. In order to source properties, their approach includes working closely with local real estate agents. Bridge Housing headleases the property, and on-leases it to their tenant at a subsidised rent. This has the advantage of making it possible to house tenants in areas where it is very expensive to purchase social or affordable housing. It's also an approach which works well for the real estate agent and for their client, the property owner: Bridge Housing notes that they have retained the majority of their leases for between two and fifteen years, suggesting confidence in their ability to manage the tenancy effectively.

Most community housing providers in NSW manage at least some headleased properties, demonstrating their capacity to operate in mixed neighbourhoods.

## **1(g) Recommendations on State reform options including, but not limited to:**

### **(i) policy initiatives and legislative change**

- ❖ **The NSW Government needs to develop a vision for the continued growth of community housing, in partnership with the industry**
- ❖ **Community housing providers need greater control over the portfolio under management, to maximise leverage capacity and ensure that properties meet tenants' needs**
- ❖ **The independence and diversity of community housing providers need to be acknowledged as strengths of the industry**

## **Setting a direction for social housing**

The community housing industry is already a significant part of the housing system in NSW, managing around 34,000 tenancies or just over 20 percent of all social housing. However, there is great potential for the industry to do more. For this to happen, the NSW Government needs to make explicit its support for the continued expansion and diversification of community housing. Policy certainty will assist community housing providers to build their businesses, and will facilitate stronger partnerships with the private sector and other agencies. In particular, the investment and development industries require a higher degree of policy certainty in order to increase their engagement with community housing. At the moment, NSW policy development in the area of social and affordable housing could be best described as being in a prolonged “period of review”, in which policy directions for social housing are under consideration. Since the expiry of Planning for

the Future<sup>47</sup> and the completion of the NSW Property Transfer Program there have been no clear policy directions regarding the future of community and public housing in the state.

A new vision for social housing needs to begin with the release of the Social Housing Policy, which is under development within FACS. In the absence of this overarching policy setting, the future of social housing in general, and community housing in particular, is unknown. The Minister for Family and Community Services has committed to public consultation on the Social Housing Policy. The Federation welcomes this commitment and looks forward to engaging with the Minister and the Department on this crucial document.

The most recent Report on Government Services includes a statement from the NSW Government which gives some indication of the policy under development. It states that the new policy approach for social housing which is currently being developed will focus on “breaking the cycle of disadvantage ... through service integration, mutual obligation and greater non-government leadership.” It further states that the NSW Government is “building a flexible and responsive community housing sector that is well-integrated into the broader NSW social housing system and is capable of providing an increased supply of affordable housing.”<sup>48</sup>

**Proposal 4. The NSW Government to release the Social Housing Policy for consultation, and ensure that it leads to an explicit statement regarding the growth and further diversification of community housing into the future.**

Alongside the Social Housing Policy, the NSW Government needs to engage with community housing providers on the future of the social housing portfolio. As community housing providers already manage a proportion of the social housing portfolio, and aim to manage a greater proportion in the future, the government’s plans for the portfolio are highly important to community housing providers. For meaningful discussion to take place, it is necessary to release the Portfolio Strategy, which is under development within FACS. The Federation seeks to engage with the Department on this strategy, and to ensure that it supports the growth and further diversification of community housing.

**Proposal 5. The NSW Government to release the Portfolio Strategy in order to engage fully with the community housing industry regarding the future of public and community housing.**

More generally, the community housing industry lacks a mechanism for engaging directly with the Minister for Family and Community Services. In the past, formal mechanisms have included the

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<sup>47</sup> NSW Government, Planning for the Future 2009 – 2012. Housing NSW

<sup>48</sup> Productivity Commission Report on Government Services 2014, Chapter 17 “Housing” p.17.52

Community Housing Advisory Committee, a regular consultation forum for the Minister and senior government personnel. The establishment of a regular forum would assist the Minister to receive high quality advice on a range of housing issues as the Social Housing Policy and related strategies are implemented.

**Proposal 6. The Minister for Family and Community Services to establish a regular advisory forum to facilitate direct engagement with the community housing industry.**

As highlighted in this submission, the community housing industry is well positioned to play a major role in responding to challenges faced by the public housing system, and to play a significant role at the low cost end of the housing market generally. To achieve this, the community housing industry and NSW Government need to work in partnership to develop an overarching strategy and targets for growth. Specific avenues for growth are identified below.

## A well-considered, large scale program of tenanted property transfers from public housing

A key element in the growth of social and affordable housing is the transfer of properties from public to community housing. Far from simply moving properties from one part of the system to another, this transfer helps to grow the system by creating opportunities for leveraging private finance, and assisting community housing providers to achieve further economies of scale. A recent report to the South Australian Government indicates that an estimated \$20.8 million annually would be added to social housing in that state if 10,000 properties were transferred from public to community housing.<sup>49</sup>

In addition, property transfer programs which incorporate redevelopment can lead to better use of land and a better urban environment, with increased densities and upgraded properties. The resulting portfolio can be designed to match the current and projected needs of tenants, rather than out-dated tenant profiles, which assists with managing under-occupancy.

Other jurisdictions, such as Queensland, Tasmania and South Australia have already embraced such transfers as a very viable tool for neighbourhood regeneration and new dwelling development. These programs meet, or in some cases exceed, the 2009 Housing Ministers' commitment to transfer up to 35 percent of public housing to community housing in each jurisdiction<sup>50</sup>. While the

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<sup>49</sup> Optimising Investment in South Australia's Housing System 2014

<sup>50</sup> The Housing Ministers Conference (2009) A Progress report to the Council of Australian Governments from Commonwealth, State and Territory Housing Ministers - Implementation of the National Housing Reforms,

NSW Government is a signatory to the agreement, it has not re-stated its commitment nor has it identified a program or process for commencing transfers.

This is despite the fact that previous property transfers in NSW have begun to bear fruit to a very significant extent. As the sector stands on the cusp of taking a leading role in the delivery of improved maintenance, private finance leverage and delivery of social dividend overall, it is crucial that the NSW Government continues to support this direction and collaborate with industry in developing a new program of property transfers.

Large scale tenanted property transfers involve a diverse range of stakeholders including public housing tenants, community housing providers, multiple government agencies, and advocacy organisations, as well as various industry partners such as private lenders, developers and support agencies. A clearly articulated strategy is needed to set the policy direction and keep all stakeholders informed and engaged.

Recent AHURI research identifies a range of potential drivers for transfer programs, ranging from social outcomes including better property and tenancy management services, to financial outcomes including leverage to undertake maintenance or increase affordable housing supply.<sup>51</sup> Property transfer programs also have a potential to bring in much needed additional finance in order to revitalise socially deprived neighbourhoods and reduce social disadvantage.

In the absence of clear government policy, many community housing providers have identified local public housing properties or estates, and developed transfer proposals. In some cases these proposals involve the transfer of properties adjacent to community housing properties, in order to consolidate management for efficiency and better tenant and neighbourhood outcomes. In other cases these proposals involve redevelopment of public housing, such as whole-of-area transfers. These proposals are submitted as “unsolicited proposals” or via other forums. However, the NSW Government does not have a policy framework against which to assess proposals which has prevented it from responding.

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Victorian Government Department of Human Services on behalf of the Housing Ministers Conference, Melbourne

51 Pawson, H., Milligan, V., Wiesel, I. and Hulse, K. (2013) Public housing transfers: past, present and prospective, AHURI Final Report No.215. Melbourne

In order to facilitate the establishment of a large scale tenanted property transfer program, the Federation has conducted industry-based research to identify the key elements for effective implementation of transfers.<sup>52</sup> Amongst these elements were:

- The need for government and industry to work together to achieve an effective transfer program
- The need for engagement with tenants, including identifying opportunities for tenants to influence the transfer program and effective communication with tenants

While it is not necessary to transfer title in order to achieve some of the outcomes sought in transfer programs, the Federation's research identifies that the ability of community housing providers to exercise control over the asset is one of the key elements in successful programs. For example, where a transfer program is intended to deliver significant community renewal outcomes, the provider will require sufficient control of the asset to make long term decisions about the portfolio including redevelopment, sales and procurement, in order to ensure that the asset meets the needs of the community.

**Proposal 7. The NSW Government and community housing industry to work in partnership to establish a large scale tenanted property transfer program, which exceeds the Housing Ministers' benchmark of 35 percent, in line with the approach set out in the Federation's paper.**

## Transfer of title to allow further leverage so that community housing can grow to meet new demand

Increasing affordable housing supply is one of the main aims of property transfers as additional resources may be attracted into the social housing system via community housing tenants' eligibility for Commonwealth Rent Assistance (CRA), cost savings flowing from lower administrative costs and tax benefits, and by leveraging transferred properties to build or purchase additional properties with private finance.

Transferring properties with title significantly enhances the leverage capacity of community housing providers by providing additional capital against which private finance can be borrowed. Recent reports indicate varying levels of leverage capacity, and assume varying degrees of reliance on

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<sup>52</sup> NSW Federation of Housing Associations. 2013. Tenanted Property Transfers: Towards a community housing industry preferred approach to managing future property transfers in NSW. Discussion draft. NSW Federation of Housing Associations

title.<sup>53</sup> Leverage capacity will always be driven by the specific terms of the deal, including: the size and value of the portfolio to be transferred, the size and value of the provider's existing portfolio, the maintenance liabilities of the portfolio to be transferred and any funding commitment to address this, and the provider's existing borrowing commitments. It is important to note that the absence of title diminishes the provider's borrowing power: industry experience is that lenders focus on both income stream (rent plus CRA) and security (property title) when assessing proposals. In fact, many lenders seek security by way of charges over the organisation's assets beyond those involved in a transfer project. This highlights the importance of title in maximising access to private finance.

Community housing providers were particularly appreciative of the flexibility of the Nation Building transfers which allowed each provider to propose their own leverage targets in their tenders based on the characteristics of the portfolio. While high leverage targets may increase the amount of new supply, it is important for community housing providers to remain financially sustainable in order to continue to deliver services to their tenants. This outcome is in the shared interest of all stakeholders.

### **Snapshot**

Compass Housing Services is the largest regional housing provider in Australia, currently managing 3,245 properties. In recent years, Compass purchased 165 new properties, delivering much needed social and affordable housing in the Central Coast region of NSW. Having built strong relationships with private sector developers through these projects allows Compass to be a part of future developments to assist in providing mixed communities.

More recently Compass delivered 52 new properties through leveraging vested properties at an average value of \$295,000. In addition, Compass plans to deliver another 100 new affordable and social dwellings through the 4th round of NRAS. Of these, 20 will be supported through funds from the Supported Accommodation Innovation Fund and will be purpose built for people with disabilities.

**Proposal 8. The NSW Government and community housing industry to work in partnership to establish a new approach to the transfer of title to community housing, in order to support the expansion of the social and affordable housing system.**

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<sup>53</sup> Shelter NSW (2010) Leveraging affordable rental housing for sustainability and growth, Sphere Analysis, Shelter Brief 145. Sydney; see also KMPG 2012. Social Housing - A Discussion Paper on the Options to Improve the Supply of Quality Housing. Prepared for Victorian Department of Human Services

## Support for making NRAS a permanent program

The National Rental Affordability Scheme (NRAS) has been one of the most significant vehicles of community housing growth. Established in 2008, the scheme enabled much needed additional investment in supply of affordable housing, in general targeting households in housing need that would not qualify for social housing due to their higher income streams but who struggled to afford to find rental housing with acceptable access to transport and employment. NRAS is a Commonwealth Government program delivered in partnership with the NSW Government that provides monetary incentives paid annually for ten years on newly-built housing that is let to eligible households for a discounted market rent. The majority of affordable housing dwellings managed by community housing providers in NSW have NRAS incentives attached and are managed in accordance with the NRAS Guidelines and the NSW Affordable Housing Guidelines produced by the Centre for Affordable Housing.

NRAS provided 50,000 incentives over five rounds delivered through competitive tendering with not for profit organisations and large and small private investors. Community housing providers have been significant players in the scheme. As at June 2013, over 38,000 incentives had been awarded, resulting in more than 14,500 tenanted properties. It therefore delivers a benefit both to moderate income households as well as to the economy. Within NSW, 61 percent of allocations have been to endorsed charities, with many being community housing providers.<sup>54</sup> The fifth and final round closed in August 2013, and the announcement as to successful bidders is yet to come. Most importantly, there have been no further commitments from any level of government about the future of this important scheme.

Community housing providers make the best use of NRAS. Community housing providers are well established in their local communities, and will continue to serve their communities beyond the 10 year term of the NRAS incentive. They are not motivated only by time-limited financial incentives but are committed to delivering long term social benefits to tenants and their communities. In NSW, many community housing providers blended NRAS incentives with private finance, other government funding and their own funds to ensure that a high proportion of the dwellings developed under NRAS will remain part of the affordable housing system in perpetuity.

With the active involvement of the community housing industry, NRAS has triggered many benefits beyond support for the construction industry at a time of economic uncertainty. These include:

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<sup>54</sup> Australian Government Department of Social Services (DSS). 2013. NRAS Performance Report, June 2013

- A range of positive outcomes for tenants including improved security of tenure leading to the capacity to save for home ownership or private rental and the ability to become involved in the local community
- An additional exit point from social housing, to encourage community housing tenants to take advantage of opportunities for employment while still supporting them via a rental subsidy
- Facilitating significant growth amongst providers, including expanding their business to manage larger portfolios, and enhancing internal capacity by providing housing to a wider range of tenants
- Fostering innovation in the type of dwellings constructed – for example, the rise in dual key dwellings which optimise affordability for tenants and income and flexibility for providers, “Fonzie flats” and other secondary dwellings, and custom built share accommodation for example
- Facilitating new partnerships across the not-for-profit, for-profit, development, and financial sectors.

Not only do community housing providers use NRAS incentives directly to enhance the supply of affordable housing, they are also housing managers of choice for private investors who prefer to outsource the management of their NRAS dwelling to a community housing provider. The availability of NRAS incentives has also enabled innovation and diversification in the industry.<sup>55</sup>

With several years of NRAS experience, banks and institutional investors now have a much better understanding of the product which has led to increased private investment in the scheme. In this context, it is critical to commit to ongoing funding for NRAS.

**Proposal 9. The NSW Government to liaise with the Commonwealth Government to support ongoing funding for NRAS, including a commitment to a permanent tranche of 10,000 incentives per year across Australia.**

**Proposal 10. The NSW Government to commit to funding its proportion of the permanent tranche of incentives, based on NSW population share.**

## Support for redevelopment of existing portfolios to maximise the housing available

Community housing providers seek to optimise the use of the social housing portfolio under their management. This is intended to deliver social outcomes for a changing tenant profiles, as, for

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<sup>55</sup> Community Housing Federation Australia 2013. National Rental Affordability Scheme Participant Roundtables November-December 2012: Final Report. CHFA, Canberra

example, existing tenants age in place or new tenants are housed with specific needs. It is also intended to deliver the best financial outcomes for the provider and for the social housing system as a whole.

To achieve this, community housing providers need to be able to make effective and timely decisions about assets, including redevelopment and disposals as well as upgrades and more investment in planned maintenance. In the absence of clear government policy, many community housing providers find it difficult to engage with government regarding these kinds of portfolio decisions. Community housing providers seek a greater degree of control over the asset, or a clear pathway for negotiating with government. For example, government may retain decision-making power in relation to property disposals, under a formalised policy that government would not withhold approval unless it could demonstrate that a better outcome could be achieved in a different way.

### **Snapshot**

Pacific Link Housing manages 1,000 properties in the Central Coast and Hunter regions. The organisation reinvests profits in the supply of new housing: last year this amounted to over \$1.1 million. This investment will be seen, for example, in the refurbishment of the Dunbar Way estate in North Gosford. Pacific Link has recently taken on management of the entire estate, adding almost 90 properties to their portfolio. The estate-wide renewal will include new lighting, CCTV cameras, landscaping, painting and new play areas to improve tenants' safety and experience while extending the useful life of the estate for another 30 years. All newly transferred properties will be refurbished, wholly financed by Pacific Link. The organisation will use the project to provide award wage traineeships for unemployed tenants. A separate research program commissioned by Pacific Link will see the University of Western Sydney measure quality of life outcomes for tenants.

## **Growth funding to meet new needs**

Since the completion of Nation Building, there has been no dedicated pool of funding to meet the growing demand for social and affordable housing. While the NSW Government's efforts to stimulate new supply via new land releases on city fringes, as well as smaller "brown field" developments are welcome, this alone cannot deliver housing affordability for very low to moderate income households. An essential part of the solution is a growth fund for social housing.

The Federation supports NCOSS's call for \$250 million over 4 years, to develop 3,000 additional social and affordable housing dwellings.<sup>56</sup> Community housing providers are well placed to maximise the value of this funding, and to continue their role as the growth component of the social housing system.

**Proposal 11. The NSW Government to commit to a growth fund of \$250 million over 4 years for social and affordable housing, with preference to be given to optimising the value of this funding by dedicating the majority to the community housing industry as part of a planned growth program.**

The Federation is working in partnership with the Community and Private Market Housing division of FACS to promote industry development. This includes the preparation of a joint Industry Development Strategy, with specific projects designed to support community housing providers to grow and diversify their businesses.

## Policy support for community housing

Alongside growth funding and industry development funding, the community housing industry seeks continued policy support from the NSW Government to operate as independent organisations. In some other jurisdictions, community housing providers are required to operate, in effect, as miniature state housing authorities, matching policies and procedures to their public housing counterparts. This stifles innovation and removes the capacity for community housing providers to be flexible to meet the needs of tenants and communities. It also reproduces in large part the public housing business model which has been shown to be unviable.

In NSW there is a good balance between ensuring that community housing operates effectively as part of the social housing system, and facilitating a diverse and flexible response. For example, community and public housing providers share application and eligibility processes via Housing Pathways. This assists applicants to access social housing, whether from Housing NSW or a community housing provider, and ensures an appropriate level of consistency across the system. However, community housing providers use their own allocation policies, under the regulation of the NSW Registrar of Community Housing, in order to achieve good local outcomes. Equally, community housing providers comply with the community housing rent policy established by FACS for all social housing tenancies under management, and with the guidelines for setting affordable housing rents. This provides transparency for tenants and applicants, while allowing community housing providers a degree of flexibility in setting rents for moderate income earners under some housing programs.

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<sup>56</sup> NCOSS 2013. 'Sharing the benefits, Making NSW Fairer' NCOSS Pre-Budget Submission  
Social and economic priorities for a fair and sustainable community: 2014-2015 State Budget

**Proposal 12. The NSW Government to acknowledge the value of the independence and diversity of the community housing industry, and embed these in policy settings for the growth of community housing.**

One of the foundation stones of public confidence in the community housing industry is the robust, independent regulatory system which has been in place in NSW since 2011. Providers strongly support independent regulation as part of establishing a professional industry capable of demonstrating accountability to all stakeholders: tenants, government funders, private finance partners, support agencies and the community generally.

The new National Regulatory System draws heavily on the success of the NSW approach over the past few years. The Code includes seven performance outcomes:

- Tenant and housing services
- Housing assets
- Community engagement
- Governance
- Probity
- Management
- Financial viability.

Across these performance outcomes, community housing providers are required to demonstrate, for example, that they:

- Engage tenants in the planning and delivery of housing services
- Maintain an overall tenant satisfaction level of at least 75 percent
- Manage properties to optimise financial outcomes, service delivery outcomes and to meet housing needs
- Undertake comprehensive property inspections on all properties every three years
- Develop comprehensive long-term strategic asset management plans, including rolling 10 year costed plans, mapped against current and projected housing needs analyses
- Are well governed by a board which sets and implements its strategic directions and scrutinises performance via business plans, financial plans, risk management plans and business continuity plans, operating in line with the Corporate Governance Principles set out by the Australian Stock Exchange
- Are financially viable at all times.<sup>57</sup>

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<sup>57</sup> National Regulatory System for Community Housing Directorate Evidence Guidelines; National Regulatory System for Community Housing Directorate Registration Return Guide

The formal aspects of regulation, such as registration of providers in order to determine eligibility for government funding, may not be immediately applicable to state housing authorities, whose formal lines of accountability are to the Minister via the Director General. Nevertheless, the performance requirements and thresholds applied to community housing providers would be relevant to public housing. Indeed, for community housing, registration status and performance against the specific requirements of the Code are already points of competitive advantage over public housing. In this context, the extension of the regulatory framework to public housing would serve to strengthen the social housing system overall.

**Proposal 13. The NSW Government to give consideration to extending the performance requirements and performance indicators in the National Regulatory Code to public housing.**

## **1(g) Recommendations on State reform options including, but not limited to:**

### **(ii) planning law changes and reform**

- ❖ **The planning system can deliver affordable housing without the need for Government funding**
- ❖ **Councils and other consent authorities need affordable housing mechanisms, incentives and targets in planning legislation**
- ❖ **Community housing providers are experts in managing affordable housing including by partnering with developers**

## **Delivering affordable housing through the planning system**

The planning system has the potential to be a powerful tool for addressing the housing affordability crisis. With the right legislative and policy settings, affordable housing can be generated in conjunction with new developments, without the need for government funding. This can be used to complement the provision of social and affordable housing through other means.

The role of the planning system in responding to housing stress is to equip local governments and other consent authorities with mechanisms that deliver housing affordability. The changes to NSW planning legislation which are currently before the Parliament do not go far enough in responding to the demand for increased housing affordability. Indeed the proposed legislation removes several mechanisms in the existing planning system which have been used to facilitate affordable housing outcomes.

Effective legislative and policy settings include:

- Targets for housing affordability at state, regional and local levels to trigger action
- A range of mechanisms and incentives for developing affordable housing, to suit different councils, different communities and different developers
- Guidelines for the use of Voluntary Planning Agreements to ensure good outcomes for developers, housing providers and the community
- A requirement for affordable housing to be managed by registered community housing providers to ensure quality outcomes for tenants and accountability for communities.

## The role of community housing providers

Community housing providers have extensive experience in delivering affordable housing through a range of models. In some instances, local councils require that affordable housing is managed by registered community housing providers, or establish a panel of preferred providers. However, for community housing providers to be able to respond to housing needs in their local communities, targets – and the mechanisms through which to meet those targets – have to be available through the planning system.

The proposed amendments to the planning legislation regarding delivering affordable housing, which have been widely discussed in the Legislative Council, mirror the proposals made by Shelter NSW in response to the planning Green Paper and White Paper. The Federation supports these proposals as they will assist councils, developers and community housing providers to work together to improve housing affordability.

**Proposal 14. The NSW Government to include in the revised planning legislation provisions to enable local government to mandate developer contributions for affordable housing, or a contribution to affordable housing offsite, be retained in the new planning system.**

**Proposal 15. The NSW Government to include in the forthcoming Planning Policy on housing a strategic response to the affordable housing shortfall in NSW that considers housing need, both home ownership and rental, against which local governments must make explicit affordable housing strategies as an essential part of their residential strategies.**

**Proposal 16. The NSW Government to include an affordable housing supply target for NSW in the forthcoming Planning Policy.**

**Proposal 17. The NSW Government to work with the community housing industry and local government to develop guidelines for the use of Voluntary Planning Agreements which are designed to ensure good outcomes for developers, housing providers and the community.**

## 1(g) Recommendations on State reform options including, but not limited to:

**(iii) social benefit bonds, and**

**(iv) market mechanisms and incentives**

- ❖ **Affordable housing is essential infrastructure, making it an ideal recipient of funds raised via bonds**
- ❖ **Market mechanisms and incentives are cost effective for government as they're designed to leverage a small investment or guarantee by government to achieve a large outcome**
- ❖ **Community housing providers are ideal managers of properties developed via market mechanisms as providers already partner with the private sector as well as the not for profit and government sectors**

## Community housing's engagement with market mechanisms

Since the 1980s, countries around the world have been exploring ways to deploy a range of market mechanisms and incentives to provide more social and affordable housing. Australia's investigation of these options is more recent, but becoming well developed. It is widely accepted that public subsidy is more productive and can be stretched further in mixed funding models, where it can be leveraged with private finance. Using these principles the community housing industry is key to the provision of more social and affordable housing: as well respected, not for profit organisations, which link community trust with tenancy and asset management expertise, community housing is an efficient pathway for maximising public subsidy and achieving social and financial outcomes.

The community housing industry has built up considerable skills at brokering partnerships with a range of stakeholders. These partnerships work to bring together land, funding, development and housing management expertise that no single partner could have achieved if working alone. This approach delivers: in NSW in 2011 alone, the community housing industry developed a total of 446 new units.<sup>58</sup> This additional supply can be small scale, working to supply a few homes or can also extend to large scale development Public Private Partnership (PPP) models such as the Bonnyrigg renewal project, which involves SGCH.

Community housing providers are able to access significant economic advantages to optimise a transaction that blends together tax exemptions, a range of incentives, land and market mechanisms to deliver a financially sustainable social outcome in the form of social and affordable housing. Their charitable status delivers income tax, GST, partial Fringe Benefits Tax, stamp duty and land tax exemptions; their status as Public Benevolent Institutions also means they can take advantage of tax exemptions for donations. Importantly, community housing tenants can access Commonwealth Rent Assistance (CRA) an on-going cash flow support available in the private rental market and community housing, but not in the public housing system.

Community housing providers are significant players within the National Rental Affordability Scheme (NRAS). NRAS is a market mechanism which facilitates the supply of new affordable rental properties by offering a small government subsidy where properties are rented to eligible tenants paying a discounted rent. As at June 2013, over 38,000 incentives had been awarded, resulting in more than 14,500 tenanted properties. It therefore delivers a benefit both to moderate income households as well as to the economy. Within NSW, 61 percent of allocations have been to endorsed charities, with many being community housing providers.<sup>59</sup> As noted above, community housing providers make the best use of NRAS by serving their communities beyond the 10 year term of the NRAS incentive and by blending NRAS incentives with private finance, other government funding and their own funds to ensure that a high proportion of the dwellings developed under NRAS will remain part of the affordable housing system in perpetuity.

### **Snapshot**

Compass Housing Services successfully bid for 334 NRAS incentives for self-owned properties. The financing for these properties has been blended from Compass providing debt and equity, capital funding under the NSW Debt Equity Program, the NSW Social Housing Growth Funds Rounds 1 & 2, Newcastle City Council's Building Better Cities Funding to assist in providing affordable housing

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<sup>58</sup> NSW Registrar of Community Housing Annual Statement of Performance, 2012

<sup>59</sup> Australian Government, 2013

in the inner city area, and land donated from Cessnock City Council to assist in providing affordable housing in their area.

The community housing industry also has the ability to use a combination of its cash flow from rental income, and the value of its asset portfolio, to leverage external private finance. As noted above, transferring properties with title significantly enhances the leverage capacity of community housing providers by providing additional capital against which private finance can be borrowed. Contemporary community housing providers are well placed to manage this type of leveraging since they are managed by experienced, professional Boards, backed up by a comprehensive and robust national regulation system. Commercial banks have indicated that higher rates of leverage may be possible as the scale of the community housing industry continues to increase: as the volume of community housing lending increases, more advantageous commercial terms may generate more efficient leverage.

The building blocks for the community housing industry to be part of the solution are already in place. What would further cement this is better access to longer term, more reasonably costed finance. At the moment, commercial banks only offer short term debt (3 to 5 years) to finance a long term asset. This has become more of an issue since the global financial crisis, which led to a more risk-averse lending climate and made financing through traditional bank loans more difficult and less favourable.

## A growing role for community housing

Current levels of public funding will not produce enough homes to meet the growing demand for social and affordable housing. Nor will it allow the efficient re-configuration of existing supply to meet current demographic needs and amenity standards. The reality is that some form of institutional investment is required to fill this funding gap. A recent AHURI report examined international examples of how institutional investors have financed affordable housing and concluded that access to robust finance arrangements provides a crucial pillar to support the provision of this housing over the long term.<sup>60</sup> A linked Australian project, the AHURI Investigative Panel on Institutional Finance of Rental Housing, convened 25 national finance, development and housing organisations to test scenarios on our domestic shortfall.<sup>61</sup>

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60 Lawson, J., Gilmour, T., & Milligan, V., (May 2010) International measures to channel investment towards affordable rental housing. AHURI

61 Milligan, Yates, Weisel, and Pawson (2013) Financing rental housing through institutional investment – Volume 1: outcomes of an investigative panel, and Volume 2: supplementary papers. AHURI Final Report No. 202. Melbourne: Australian Housing and Urban Research Institute

Institutional investors include banks, unit trusts, superannuation and pension funds. They potentially have large sums of finance to invest. For example Australia's superannuation funds hold around \$1.3 trillion in funds, a sum anticipated to grow to \$3.2 trillion by 2035. Superannuation and other managed funds are the largest potential source of funding. They themselves would not want to build and manage a property portfolio. This would be the role for community housing who are expert at development and managing tenancies at scale. Alternately, a professional intermediary created by the sector to provide financial underwriting, arranging, and packaging of stable rental cash flows, secured by the underlying properties, could achieve the scale required to attract the interest of these funds. The AHURI Investigative Panel identified that the scale of investment required to attract institutional players is between \$50 million and \$250 million for an individual institution and at least \$500 million per annum in aggregate to create liquidity and establish a sustainable market.

In 2010 the Productivity Commission identified that the lack of access to private capital plus the lack of specialist financial intermediaries was hampering community housing from playing a greater role in leveraging additional affordable housing.<sup>62</sup>

Institutional investors look for opportunities with long-term investment horizons. They also search for good, steady and predictable returns. Given their size they require opportunities that allow liquidity through larger scale investment. They also need stability, confidence and a good understanding of the market they are investing into. While some jurisdictions have set clear policy directions for social housing, there is no clear government policy in relation to the growth of community and affordable housing within NSW or at a national level. This means institutional investors which might otherwise be interested in doing business in NSW do not have the certainty and stability they need. For example, incentives like NRAS are not continuous and so do not provide steady and predictable funding for development. At a state level, the release of the Social Housing Policy and other key directions would be helpful, as would a committed pipeline of estate renewal and transfers of properties to community housing. All these opportunities will help to build the scale which is necessary for efficient private financing.

A case study from BlueCHP included at the end of the section illustrates how community housing providers blend financing and subsidies to deliver housing outcomes.

## Market mechanisms – an overview

Before discussing a range of incentives, bonds and market mechanisms, it is important to note that there is no silver bullet: no individual initiative will provide the solution the housing affordability

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<sup>62</sup> Productivity Commission (2010) Contribution of the not-for-profit sector, Research Report. Canberra: Productivity Commission. At <http://www.pc.gov.au/projects/study/not-for-profit/report>

crisis. To optimise the role of community housing providers governments at all levels must give greater consideration to packaging a range of tax exemptions, incentives and market mechanisms – as well as continuing to fund social housing via acceptable levels of subsidies for below-market rents – and allow investors flexibility in the ways it can invest into social and affordable housing through community housing providers.

## Bonds

The ethos and philosophy of community housing providers aligns well with the principles of social investment. Community housing providers invest every dollar of surplus back into the communities in which they work. As social enterprises and entities with charitable status, the community housing business model is both commercial and mission driven.

The NSW Government has expressed strong interest in social investment as a means to secure new resources for tackling complex social policy issues and breaking disadvantage. This is in line with new public policy shifts and recognition that government alone cannot alleviate all social problems. The not for profit sector, in partnership with government and the private sector, can play a greater role. With social impact bonds already in place in partnership with not for profit organisations,<sup>63</sup> the Federation considers that there is a real opportunity to explore targeted measures to generate additional social and affordable housing through these innovative financial means. While acknowledging the difficulties inherent in any new innovative financial venture, a recent KPMG evaluation of social benefit bonds concluded that the concept is viable in the NSW context.<sup>64</sup>

There are several ways to raise private and public finance to supply more affordable housing, all of them involving government as an intermediary between private and not for profit sectors. It would also be necessary that government plays a prominent role in creation and maturation of the social investment markets in NSW.

As discussed earlier in the submission, it is time to consider affordable housing as critical infrastructure. The Federation supports NCOSS' proposals to hypothecate the proceeds from Waratah Bonds to investment in new social and affordable housing supply. With the Commonwealth now designating Waratah Bonds as an eligible investment vehicle for approved Significant Investor Visa applicants, the NSW Government is anticipating receiving investments in excess of \$200 million from that market alone. While \$200 million would make only a small contribution to the Government's planned investment in new billion dollar rail and road projects, it

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63 Such as the Newpin bond in partnership with Uniting Care and the Benevolent Society Bond.

64 KPMG 2014. Evaluation of the Joint Development Phase of the NSW Social Benefit Bonds Trial. January 2014

could make a welcome boost to the supply of the additional affordable and social housing in the state. The Government could also consider allocating a portion of the stamp duty revenue from the buoyant NSW residential property market into a dedicated fund for affordable housing supply.

In line with burgeoning interest in expanding social investment market in Australia, AHURI has developed a proposal for a specific affordable housing bond to facilitate access of institutional investors such as superannuation funds into affordable housing markets. The Federation and the community housing industry are strongly supportive of the AHURI proposal. There has been growing interest in the development of a financial instrument and intermediary to attract investment to the not-for-profit sector more broadly, and in reforms to expand the corporate bond market in Australia and provide greater access to retail investors.

The housing supply bond essentially incorporates a combination of public funding (providing direct subsidy) and private bonds that are indirectly subsidised through tax incentives and government guarantees. Such a bond is not intended as a replacement for existing forms of housing assistance for affordable rental housing but can complement and extend the value of existing public subsidies in order to increase the long term supply of affordable housing<sup>65</sup>.

Under the AHURI proposal, housing supply bonds are intended to provide a standardised instrument for retail and institutional investors, to encourage investment in affordable rental housing and to keep separation between investor and provider of affordable housing. AHURI proposed that only regulated providers of publicly approved projects should be able to apply for finance raised by these bonds to ensure that clearly defined policy targets are met.

The Federation considers that the NSW government can play an active role in championing the housing supply bonds at the Commonwealth level. The NSW Government is already ahead of the social finance innovation curve by investing in the development of a social finance market in NSW. These efforts should be applauded and encouraged in other jurisdictions, and particularly at the Commonwealth level. State and Commonwealth government treasuries could partner to explore the feasibility of a NSW pilot bond scheme.

## Credit enhancements

Institutional investors are unfamiliar with investing in affordable housing. One way to allay their anxieties and underpin their confidence is for the State and/or the Commonwealth Government to provide some form of credit enhancement in the form of a guarantee. The State and/or the Commonwealth Government's high credit ratings would reduce investors' perceptions of risk and so

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65 AHURI: Lawson, Milligan, Yates. Housing Supply Bonds—a suitable instrument to channel investment towards affordable housing in Australia? AHURI Report 188, May 2012

increase their willingness to invest. The result of this lower risk profile is that community housing providers could borrow on more favourable terms and reduce their interest costs. This means more housing could be delivered. An example of how this could be developed is the Tripartite Deed developed in NSW. The Tripartite Deed sets out the contractual relationships between the government, the community housing provider and the financial institution lending funds to that provider. The purpose is to facilitate lending and set out clear parameters within which the provider, financier and the government would operate in the event of a mortgage default.

Such a guarantee would not transfer risk to Government since this risk is already mitigated by a system of robust community housing regulation, including regular analysis of extensive financial datasets. Community housing providers need to be registered and to maintain their registration they must satisfy the Registrar that they are performing in accordance with the requirements of the National Regulatory Code for community housing providers, which includes strict financial metrics designed to identify early on any potential problems. Early detection allows more time to deal with any unlikely problems therefore avoiding a call on the guarantee.

In addition, a government guarantee does need to have blanket coverage. Depending upon the situation a guarantee could be conditional, time-limited, capped, and/or competitively allocated to kick-start initial investor activity and be reduced as certain milestones are reached. It is not intended that a guarantee would be used to ensure the financial viability of any specific property development proposal: all proposals would still need to demonstrate viability in their own right; the role of the guarantee would be to make financing more attractive so that more dwellings could be delivered.

Early analysis by ratings agencies indicate that a limited government guarantee of the type being proposed would not impact on credit ratings. This is because the scale of debt which would be guaranteed is not significant relative to the overall sovereign debt carried by government, and because there are risk mitigants in place. Conversely, the knock-on economic activity generated by new additional housing starts would enhance state economic competitiveness and productivity. This type of activity is considered favourably by ratings agencies.

## Specialist financial intermediaries

One of the recommendations from an enquiry by the Senate Economics References Committee (2011) set up to examine the barriers and options available to develop a mature capital market for the social economy sector in Australia was the establishment of specialist financial intermediaries. Many countries with significant affordable housing markets have set up special purpose financial intermediaries.

Presently, individual community housing providers separately source finance for their own housing developments. The role of specialist financial intermediaries is to pool housing investment opportunities and source a range of large scale investors to efficiently fund these opportunities. The specialist financial intermediary then channels this finance to the individual projects on the ground. This helps to deliver the scale and level of liquidity required by institutional investors and also shares their risk. As a result this assists with moderating the cost of financing for community housing providers. The cost of using a specialist financial intermediary should be covered through the savings made through cheaper financing.

**Proposal 18. The NSW Government to work with the community housing industry and other key stakeholders to examine how specialist financial intermediaries could support the growth of social and affordable housing in NSW.**

## Other potential financing options

NSW is one of the few jurisdictions that does not have an active shared equity/ownership scheme. Shelter NSW, community housing providers, the Federation and others have been exploring how such a scheme might be developed. An effective shared equity/ownership scheme has the potential to provide an additional type of housing subsidy to assist people into home ownership and to provide a pathway out of social housing. This may be part of a review of support for first home owners, for example, by dedicating a proportion of funds raised through stamp duty to first home owners meeting eligibility criteria.

**Proposal 19. The NSW Government to investigate the potential for a NSW shared equity/ownership scheme as part of a review of support for first home owners.**

## Case study

BlueCHP Limited (BCL) is a not for profit organisation that was established by five community housing organisations with the aim of growing the supply of high quality affordable housing in Australia for those individuals experiencing housing stress. All properties within the BCL portfolio are headleased to the member organisations for management. BCL's day to day activities revolve around property development, procurement, and property management activities.

With assets of over \$200 million, commercial ownership of over 660 homes, and a professional skills based board and management with substantial international experience in both the development and the financial sector, BCL is recognised within the housing industry and external developers as a pre-eminent community housing provider development and asset manager.

BCL is currently developing affordable housing at the Ropes Crossing and Jordan Springs Lend Lease urban redevelopment site. The project comprises of 3 percent of the total lots of the project – in the first stage of development this amounts to approximately 75 giving a yield of 90 dwellings.

The total project is estimated costs of approximately \$45m and will take approximately 5 years to complete. The majority of homes will be 3 and 4 bedroom, with design requirements ensuring a seamless integration with surrounding properties. The number of people housed will be a minimum of 270 with the number increasing depending on the family unit size. The project is expected to be completed in 2017.

The funding for this project is a layered approach using a number of sources:

Funding Dollars	'000s
Land – Lend Lease contribution via HNSW	17,095
Bank Debt	16,472
NSW State Grant	7,945
Federal NRAS	2,100
BCL Equity	2,000
<b>Total</b>	<b>45,612</b>

## **1(g) Recommendations on State reform options including, but not limited to:**

### **(v) ongoing funding partnerships with the Federal Government such as the National Affordable Housing Agreement**

- ❖ **The scale of the housing affordability crisis means that all levels of government have a role to play**
- ❖ **A formal funding partnership between the commonwealth and state governments is required, which incorporates the full suite of policy settings and funding programs**
- ❖ **Community housing providers need greater influence over commonwealth government decisions regarding income support, taxation and housing funding**

## **The role of the Commonwealth Government**

The Commonwealth Government plays a significant, but somewhat hidden, role in relation to the delivery of social and affordable housing. State housing authorities are the face of public housing, and for the most part commonwealth funding for community housing is directed through the states. Other than the large, one-off investment in social housing via Nation Building, the Commonwealth Government's role is less obvious.

Nevertheless, many Commonwealth Government funding decisions, policy settings and taxation rules have a major influence on the delivery of social and affordable housing, and on the community housing industry in particular.

In addition, the scale of the housing affordability crisis means that all levels of government need to understand the role they can play, including the Commonwealth.

## A formal funding partnership between the Commonwealth and NSW Governments

Essential to the sustainability of social and affordable housing is a commitment by the commonwealth and state governments to a formal housing funding partnership. This funding partnership does not need to take the same form as the current National Affordable Housing Agreement, provided that it is a strong, long-term funding agreement between the commonwealth and state governments. Commitment to this type of long-term funding agreement will deliver a degree of stability and certainty about housing funding, which will in itself assist with engaging the private sector.

The funding partnership needs to encompass all housing policy settings and funding programs, to ensure that effective links can be made between them. For example, it is important that all new rounds of NRAS are incorporated into the funding partnership, rather than having this key method for addressing housing affordability sitting outside the agreement. Equally, it is important for policy decisions regarding Commonwealth Rent Assistance (CRA) to be effectively included in the funding partnership. While CRA is not part of the funding paid to state governments, and public housing tenants are ineligible, it represents a very significant level of funding for housing affordability, and is available in the community housing industry.

In addition, the funding partnership needs to have clear links to commonwealth funding and policy areas which are not solely about housing but which are influential in the delivery of social and affordable housing. This includes:

- Taxation policy, especially regarding the charitable status of not-for-profit organisations, and the potential for negative gearing to be used more effectively to support affordable housing outcomes
- Decisions regarding income support payments – as social housing tenants pay income-based rents, any change in their income results in a change in the rental income for public and community housing providers.

In relation to the charitable status of community housing providers, the situation remains relatively unclear as the future of the recent legislation defining “charitable” is not certain. This needs to be resolved as a matter of urgency, as it has implications for the type of growth community housing providers can pursue, and for decisions regarding business structures. Continued lack of clarity has the capacity to hold back the growth and diversification of the industry.

As the key source of funding for housing programs, the support of the Commonwealth Government is essential in delivering any growth in social or affordable housing. A formal housing funding partnership therefore needs to include a growth fund, which may be tied to specific outcomes by negotiation between the parties. Given the relative advantages of the community housing industry identified in this submission, the growth fund could be targeted to the delivery of additional affordable housing by community housing providers.

- Proposal 20. The NSW Government to seek a continuation of a formal funding partnership with the Commonwealth Government, including all housing policy settings and funding programs, and making links to other relevant funding and policy areas.**
- Proposal 21. The NSW Government to support the continued availability of Commonwealth Rent Assistance for community housing tenants, or the equivalent funding to be made available for community housing via other mechanisms.**
- Proposal 22. The NSW Government to seek the inclusion of a growth fund in the formal funding agreement, targeted to the delivery of additional affordable housing by community housing providers.**
- Proposal 23. The NSW Government to support the continued growth and diversification of the community housing industry by assisting to have the charitable status of community housing providers clarified as part of a formal funding partnership with the Commonwealth Government.**

## **1(g) Recommendations on State reform options including, but not limited to:**

### **(vi) ageing in place**

- ❖ **As Australia's population ages, lower income older tenants are especially vulnerable to housing stress**
- ❖ **Existing social housing tenants can be supported to age in place**
- ❖ **Community housing providers can deliver services directly to ageing tenants as well as partner with other agencies to provide appropriate support**

## **An ageing population**

As is well documented, Australia has an ageing population, characterised by the “baby boomer” generation reaching retirement age. According to the 2011 Census, there were 3 million people aged 65 years and over living in Australia, with over half of this population aged between 65 and 74 years. It is projected that as the baby boomers age this situation will become even more pronounced, with around 39 percent of the population being aged 50 and over by 2050. These national demographic trends are reflected in NSW as well: for example, as at 30 June 2010 there were 1.02 million people aged 65 and over living in NSW, with more than half living in the Sydney metropolitan area.<sup>66</sup> Older people prefer to age in place and remain in their own home for as long as possible.<sup>67</sup>

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<sup>66</sup> Department of Family and Community Services Office for Ageing. 2012. NSW Ageing Strategy. New South Wales Government: Sydney

<sup>67</sup> Australian Institute of Health and Welfare (2013) The desire to age in place among older Australians Volume 1: Reasons for staying or moving, Bulletin no. 114, Cat. no. AUS 169, Canberra, AIHW

The ageing population is becoming polarised between higher and lower income older Australians. Those older Australians on lower incomes who are renting in the private market are particularly vulnerable to housing stress. This group faces real affordability issues and often lives in unsuitable housing. The NSW Ageing Strategy states this situation will only worsen since the number of low income private renters aged 65 and over will increase by 115 percent by 2026. There are a number of factors contributing towards this increase: not only is the existing cohort of renters ageing, some older owners are unable to sustain home ownership due to factors including ill health, separation, divorce and bereavement.<sup>68</sup>

Within this group women in particular are more vulnerable to housing stress. Older single women are projected to make up two-thirds of lower income sole person households, with multiple risk factors for homelessness.<sup>69</sup> There are a number of factors contributing towards this including the fact that women live longer than men, earn lower incomes, have lower participation rates in the workforce and have less superannuation.<sup>70</sup>

## Affordable, appropriate housing for older people

Housing affordability is a major issue for older lower income people renting in the private market. Almost 1 in 10 single-person older households rent privately. According to the Australian Bureau of Statistics, the average private rental housing cost as a proportion of income for older couples earning less than 40 percent of the average income is 34 percent. This rises to 39 percent for lone person households, a very high level of housing stress. In contrast, older home owners on low incomes have an average housing cost of 4 percent of income for couples and 6 percent for lone person households.

Not only is the private rental market unaffordable often homes are not suitably designed to meet the needs of older people. A key concern for older people is to remain independent and to continue to living in their home for as long as possible. A survey of 831 older Australians found that adaptations such as handrails/grabrails, hob-less showers, ramped or flat entries, emergency call facilities and wider doors make this more feasible.<sup>71</sup> These sorts of adaptations are very difficult to organise if renting privately. Firstly, the landlord may be unwilling to make changes. Secondly, it is

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68 Beer A and Faulkner D. (2009) 21st century housing careers and Australia's housing future. AHURI Final Report No. 128. Melbourne: Australian Housing and Urban Research Institute

69 Jones, A., Bell, M., Tilse, C. & Earl, G., Rental housing provision for lower-income older Australians, Australian Housing and Urban Research Institute (AHURI) Final Report No. 98, May 2007

70 L. McFerran 2010 It Could Be You: Female, Single, Older and Homeless, Homelessness NSW, Older Women's Network and St Vincent de Paul Society NSW

71 Bridge, C., et al for the Australian Housing and Urban Research Institute (AHURI); Age - specific housing and care for low to moderate income older people, AHURI, Melbourne, 2011

problematic for the tenant to make these changes since they do not have long term security in the home and must pay to return the property to its original state when they leave. As with other age cohorts, older lower income renters are often forced to live in unsuitable areas far from shops, transport and support services. This results in social isolation and a range of negative health outcomes flowing from reduced access to medical services.

## The role of community housing

Community housing providers are well placed to respond to the increasing demand for affordable housing options suitable for older people. The industry cannot resolve these issues alone, but within the constraints of the present system, providers are already actively engaged in assisting tenants to age in place.

Given the issues faced by older lower income people in the private rental market there is a big demand for social housing among this group. Social housing offers not just affordability but also suitable housing. For example the National Social Housing Survey with Community Housing Report identified the reasons why people moved into community housing. The report states that tenants over 65 mentioned the opportunity for semi-independent living (26 percent) and being with people with similar interests (21 percent).

The community housing industry is diverse and offers a range of approaches to ageing in place rather than the traditional approach of retirement homes. One of the key strengths community housing has over the private rental market in terms of ageing in place is a range of housing management policies that consider the needs of older tenants. For example community housing providers offer secure long term tenancies. Older tenants may need to spend time away from their home for either personal or medical reasons and policies of individual community housing providers often take account of this need. Also within the context of constrained housing availability community housing providers use their allocations and transfer policies to house older tenants sensitively and in the most appropriate manner. Finally community housing providers make allowances for carers in terms of allocating a room and also offer succession rights for tenancies.

Another key strength over the private rental market is community housing's ability to link older tenants into a range of organisations providing support services.<sup>72</sup> These support services are vital in allowing older tenants to remain living at home and age in place. For example, many community housing providers promote the Tenant Connect service. This is a free service for tenants aged 80 years and over and for Aboriginal tenants aged 55 years and over. The service enables tenants to receive a phone call each day to confirm they are safe and well. This is in addition to the normal

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<sup>72</sup> McNelis, S 2004, *Independent Living Units: The Forgotten Social Housing Sector*, Australian Housing and Urban Research Institute, Melbourne

day to day contacts made by community housing staff. Community housing providers also promote financial inclusion measures for example energy assistance schemes to their older tenants.

Social isolation is a common problem for older tenants wishing to age in place. To help tackle this community housing providers offer a range of social events. These might include coffee mornings, excursions, community gardens and health and fitness groups etc. They also provide tenant engagement opportunities where all tenants can meet and collectively shape the services delivered by their community housing provider.

Community housing where possible undertake reasonable property modifications and adaptations so that older people can remain in their home. Also as properties are modified and adapted they are normally identified within their portfolio so that as tenancies end they can be allocated suitably. This is easier for properties which are owned or managed on a long term lease by community housing providers. Community housing providers fund much of this work from their maintenance budgets. As the tenant population ages the call on this service has dramatically increased and therefore the industry has to balance demand and available resources. These modifications and adaptations are vital and save money on the costs associated with falls and moving tenants into care.

Case studies from The Housing Trust and Hume Community Housing are included at the end of the section. They illustrate a range of ways that community housing providers are supporting older tenants.

**Proposal 24. The NSW Government to establish a new funding program for community housing providers, sourced from consolidated revenue, to fund home modifications and adaptations to facilitate tenants to age in place.**

**Proposal 25. The NSW Government to build into planning policies at the local, regional and state level the need to provide sufficient affordable housing suitable for low income older people.**

**Proposal 26. The NSW Government to facilitate stronger linkages, including formal agreements, between community housing providers and Health Department programs supporting health and wellbeing for older people.**

## Case study

The Illawarra Community Housing Trust Ltd (The Housing Trust) manages over 1,100 tenancies in the Illawarra region of NSW, from Helensburgh to Gerringong. About 300 homes are designated for seniors. The Housing Trust has a strong focus on developing new homes for older people in need, supporting older residents to age in place, and build stronger connections to their neighbourhood and wider community. The tenancy team regularly makes service referrals to support tenants in their homes, such as in-home supports like Community Options Illawarra, HACC Services, and Meals on Wheels. The organisation also funds minor modifications from its responsive maintenance budget and seeks funding for larger or more expensive modifications where required. Since 2012, The Housing Trust has hosted an annual tenant participation event during seniors week as a way to bring in external services to meet with tenants and organise activities for residents to engage with each other and their community. Below are some additional examples their work providing housing and support to older tenants to enable them to age in place:

### Central Gardens, Shellharbour

The Housing Trust has commenced construction of a new development at Wattle Road Shellharbour to be known as “Central Gardens”. This development is jointly funded by The Housing Trust and Housing NSW to provide new housing for seniors and people with a disability who are capable of living independently in the Shellharbour area. A total of 71 units will be constructed, comprising 38 social housing tenancies and 33 affordable housing tenancies. This development will meet an unmet need for alternative affordable housing products in the Illawarra and will assist residents in older, larger homes to move into more manageable accommodation.

### Aboriginal Elders Village, Primbee

In 2010 The Housing Trust partnered with the Illawarra Aboriginal Corporation (IAC) and Community and Private Market Housing Directorate in a redevelopment project to provide culturally appropriate accommodation for Aboriginal Elders. The complex consists of seven two bedroom units tailored to meet the needs of mature age Aboriginal people. Allocation to these units when they become vacant occurs collaboratively through a partnership with The Housing Trust and IAC.

### Market Street Seniors Living

The Housing Trust manages a 56 unit seniors property in the Wollongong CBD, centrally located near to services and transport. An active tenant participation program has been implemented since 2012, involving quarterly meetings with residents. An operational plan exists for the property and was recently reviewed with the assistance of a residents working group. The plan identifies a range of community services for residents and documents emergency evacuation procedures, including for residents with special needs.

## Case study

Hume Community Housing Association (Hume Housing) is a long-established community housing provider with a record of delivering excellent customer service to a diverse group of tenants in Western and South Western Sydney. Hume Housing currently manages over 1,700 dwellings spread over Fairfield, Bankstown, Blacktown, Holroyd, Parramatta, Liverpool and Campbelltown local government areas.

McBurney Road is a 48 unit complex located in Cabramatta in South Western Sydney. The customers are 55 years and older, with an average age of 77. There is a diverse mix of cultures, history and wonderful life experiences to be shared by neighbours within the complex. Hume Housing manages the complex, and has a strong partnership with Catholic Care, ensuring support and assistance is always available.

Over the years, many customers have established small patches of individual gardens, growing vegetables and their favourite plants. At times there were frustrations over overgrown gardens, taking over others "patch" and due to the language barriers these issues escalated. Hume Housing has a commitment to sustainable communities and proactively engaged with the customers to turn their love of gardening into a project that could engage the whole complex, resolve small tensions over shared space and have the potential to reduce food costs for customers.

Over the past year customers have worked with Hume Housing's Sustainable Communities Coordinator to rebuild areas of their communal garden. Catholic Care provided interpreters to ensure that all customers were fully aware and involved on all levels in particularly with decisions made by the Garden Project group. There was an extensive consultation process to ensure everyone was able to have input into the garden: everyone had their voice and vision heard. The ongoing benefit of this process was the establishment of new relationships amongst the customers.

The customers involved discussed their image of what environment they would like to see and were inspired by visits to other community gardens in and around the Fairfield area. The customers were fully engaged and assisted with the clean-up, the redesigning and building of the raised flower beds. These meetings did more than just rebuild their garden area: cooperation between neighbours increased and new friendships were forged. Hume Housing engaged the expertise of Phil Pettitt from Community Greening Botanical Gardens Trust to guide the design and planting of the garden. The end result is a wonderful area that can be enjoyed by all. With 13 raised flower beds, built to allow customers with mobility issues to be able to garden, minimising the need to bend their knees and backs, there is plenty of space for all to plant their favourites, sharing the results of the produce and remove barriers for engagement. Most importantly, is the result of a cohesive sustainable community, with strong support, friendships and engaged relationships.

## 1(h) Any other related matter

### Housing for Aboriginal people and communities

The Inquiry's terms of reference do not specifically refer to Aboriginal housing. Nevertheless, access to appropriate, secure, affordable housing is a significant issue for Aboriginal people and communities. Compared to the national home ownership rate of around 70 percent, less than 40 percent of Aboriginal households in NSW own or are buying their home. Of the 56 percent of Aboriginal households renting in NSW, around one third live in social housing of some kind. The remainder live in the private rental market, where they experience double the rate of overcrowding of non-Aboriginal households, more than triple the rate of homelessness or marginal housing, and high levels of housing stress. The National Shelter Aboriginal Housing Roundtable undertaken between 2010 and 2013 also identified high levels of discrimination against Aboriginal people in the private rental market as well as culturally inappropriate housing management practices.

Government agencies and community organisations seek to address these issues in a range of ways. The NSW Aboriginal Housing Office (AHO) owns around 5,100 dwellings, the majority of which are managed by public housing. There are also around 4,700 dwellings managed by approximately 200 Aboriginal Community Housing Providers, of which 60 percent is managed by Local Aboriginal Land Councils and 40 percent is managed by other community organisations. In addition, over 10,000 Aboriginal households access mainstream public or community housing.<sup>73</sup>

Of particular relevance to this submission is the strengthening of the Aboriginal community housing sector, and the capacity of mainstream community housing providers to offer appropriate housing to Aboriginal households.

### Aboriginal community housing providers

The AHO launched its Build and Grow strategy in 2010, with the aim of assisting Aboriginal community housing providers to become financially viable for the long term. This includes regulating providers via a specialised registration system, undertaking significant maintenance work and property refurbishment, introducing a rent policy designed to suit the needs of Aboriginal

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<sup>73</sup> NSW Aboriginal Housing Office 2012 Sector Report: Snapshot on NSW Aboriginal Housing

households and providers, and building the capacity of the sector so that providers can put in the place the systems and skills to take on additional properties.<sup>74</sup>

The Federation works with individual Aboriginal community housing providers and the AHO on capacity building activities.

## Aboriginal access to mainstream community housing

In addition to supporting the growth of the Aboriginal community housing sector, the Federation works with mainstream community housing providers and the Community and Private Market Housing division of FACS to improve access for Aboriginal tenants. In 2012, Aboriginal households made up 8 percent of community housing, with 13 percent of new housing allocated to Aboriginal tenants. In addition to seeking to increase the number of Aboriginal households living in community housing, the number of Aboriginal staff in community housing is still low, and remains a key issue for mainstream providers in enhancing Aboriginal access.

Community housing providers are establishing partnerships with Aboriginal organisations to build better knowledge and understanding of how to deliver appropriate services to Aboriginal people. While there are a number of community housing providers managing tenancies on behalf of Aboriginal organisations these arrangements will change as the Build and Grow process is implemented. The Federation will continue to work with mainstream community housing providers to develop and maintain new types of partnerships with Aboriginal community housing providers, which support the growth and viability of the Aboriginal community housing sector.

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74 NSW Aboriginal Housing Office 2013 Fact Sheet: The Build and Grow Aboriginal Community Housing Strategy; NSW Aboriginal Housing Office 2013 Fact Sheet: Build and Grow Rent Policy