

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

**Organisation:** Bridge Housing

**Date received:** 7/03/2014

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**NSW Legislative Council**

**Inquiry into**

**Social, Public and Affordable Housing**

**Bridge Housing Limited**

**February 2014**

## 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

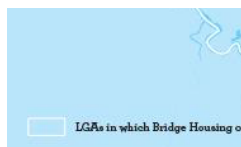
## About Bridge Housing

Bridge Housing Limited is a Class 1 registered community housing provider based in Redfern, Sydney. Established in 1985, we provide affordable housing solutions to low and moderate-income households across the inner and middle ring of the Sydney metropolitan area. We do this by

- 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

At 30 June 2013, Bridge Housing owned or managed 1,628 properties and operated across 17 local government areas as illustrated in the map below. Bridge Housing is registered and regulated by the NSW Registrar of Community Housing. It is also a:

- charity registered with the Australian Charities and Not-for profits Commission (ACNC)
- company limited by guarantee regulated by the Australian Securities and Investment Commission
- governed by a skills-based Board of seven non-executive directors who are elected by the members of the company
- member of the NSW Federation of Housing Associations, PowerHousing Australia and the Committee of Sydney, and part of a network of 26 community housing providers operating throughout NSW.

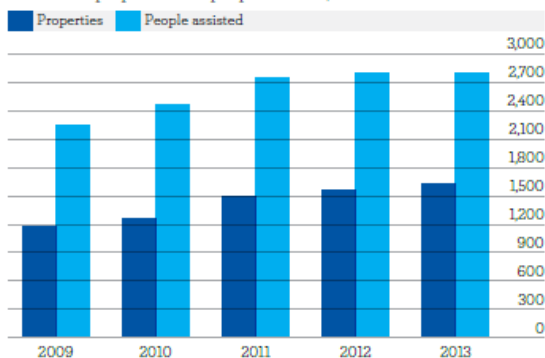


## Property Growth and Scale

Bridge Housing has worked successfully to deliver a high quality services to tenants and to deliver significant growth in the portfolio we manage. This growth has been driven by partnering with Housing NSW and undertaking property development. In 2013 Bridge Housing managed 1,628 properties (compared to 1,200 in 2009) and housed in excess of 2,700 people.

### People and properties

Number of properties and people assisted, 2009-13



Annual Revenue	\$25m
Properties under management	1,628
Staff	40 people
Development pipeline 2014-16	300 dwellings
Value of development pipeline	\$120 million
Net assets	\$78 million
Head office	Redfern
Area of operation	Eastern Suburbs, Inner West and Parramatta
Assets under management	\$350m

## Awards 2012-13

Bridge Housing is a nationally recognised and award winning Community Housing Provider and was the recipient of the following awards in 2012-13:

- 2013 Australasian Reporting Awards: Gold Award for our Annual Report 2011-12
- 2012 PwC Transparency Awards: Top Ten Finalist for our Annual Report 2011-12
- 2013 NSW Awards for Excellence in Community Housing:
  - Excellence in Governance and Risk Management
  - Highly Commended for Services to Tenants



Top 10 Finalist 2012  
\$5m to < \$30m revenue category



1 Bridge Housing was also

Awarded the 2011 PwC Transparency Award – Best First Time Entrant for our Annual Report 2010-11. (Bridge Housing is the first community housing provider in Australia to win this award).  
Recognised by the 2012 Australasian Reporting Awards: Silver Award for Distinguished Achievement in Reporting and Finalist in the Best First Time Entry category.

## History

- 1985-86** Bridge Housing Limited began as the South West Inner Sydney Housing Cooperative
- 1993-94** South West Inner Sydney Housing amalgamated with the Inner West Housing Association
- 2001-02** Absorbs Darlinghurst Area Community Housing Scheme
- 2006-07** John Nicolades appointed as CEO of South West Inner Sydney Housing
- 2008-09** Absorbs Burwood Area Community Housing in 2008,
- 2009-10** Re-incorporated as Company Limited By Guaranteed and changed name to Bridge Housing Limited
- Amalgamated with the Eastern Suburbs Rental Housing Association
- Registered as a Class 1 Community Housing Provider under the Regulatory Regime
- 2010-11** Successfully tendered for Nation Building Economic Stimulus package properties in the Parramatta Local Government Area (LGA) and had title to 240 properties transferred by 2013. Our leveraging target is 75 affordable housing dwellings over 10 years
- Restructured Bridge Housing and appointed established a Senior Management Team drawn from private , not for profit and government sector.
- Secured management of 200 units in South Coogee and Balmain estates through the Property Transfer Program
- 2011-12** Implemented 'Platform 70' which aims to house 70 rough sleepers from Woolloomooloo in the private rental market.
- Undertook \$1.7 million of Crisis Accommodation Program upgrade works on 14 properties, many with heritage listing.
- Successful tender with Housing NSW for a redevelopment site in Cowper Street, Glebe, which will deliver 153 dwellings in a five to 10 storey building. As part of a social, affordable housing and private market housing. Bridge Housing to inject \$10m into project.
- Successful tender with Housing NSW to build 160 affordable dwellings on a public housing development site in Seven Hills by 2015, Bridge housing to inject \$14m into project NSW government subsequently withdrawn the development .
- Successful tender to Housing NSW to manage 128 new-build properties (to be completed by 2014) in the Canterbury and Bankstown local government area
- Acquired and converted a residential property into a group home suitable for four children with extensive physical disabilities, and finalised a support agreement for 24-hour support with Ability Options. The project was funded with a \$1.3million grant from the Department of Ageing, Disability and Home Care (ADHC).
- 2012-13** Successful tender for the management of Waverley Council's social and affordable housing portfolio of 79 properties. Bridge Housing won first management contract in 2005

Platform 70 meets target to provide a 70 rough sleepers with secure and affordable accommodation in the private rental market. Program extended for a further year to accommodate a further 30 rough sleepers.

**2013-14** Successful tender for Urban Growth NSW to develop 62 affordable housing detached dwellings at Bunya Estate. Bridge Housing to inject \$14m. 32 of these properties will be used to meet our NBESP leveraging target.

Successful tender for the management of Sydney Olympic Park Authority Affordable Housing portfolio of 19 units currently under construction

NSW Government agrees to resume Cowper St development after Revised Business case approved by Expenditure Review Committee in December 2013

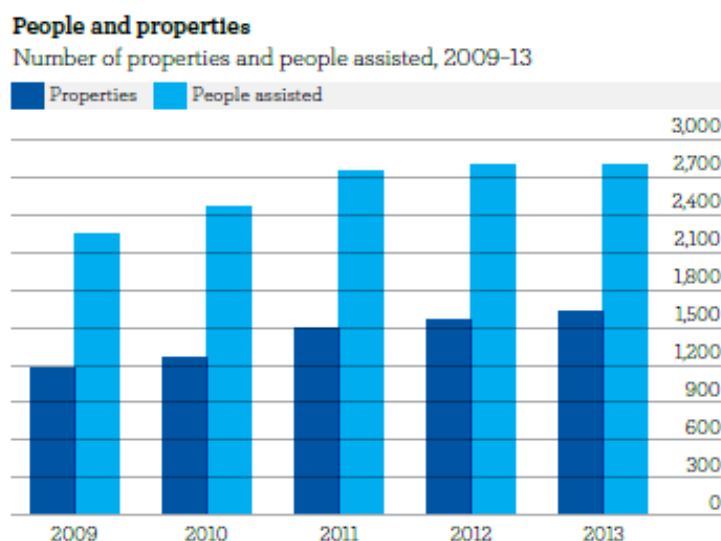
Successful tender to Housing NSW to manage 18 new supply properties in Telopea

Further Information is available in our Annual Reports at [www.bridgehousing.org.au](http://www.bridgehousing.org.au) for each period

## 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

Over the same period Bridge Housing grew by 300 per cent from 650 to 1650 dwellings- through properties transferred from public housing, amalgamations, tenders- becoming the largest provider in the inner and middle ring metropolitan Sydney. The table below shows our growth between 2009 and 2013



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 our 30 year history, Bridge Housing has demonstrated its capacity to grow to meet new challenges. Bridge Housing is a sustainable



business, with income sources including rent, subsidies and fee for service. We have a 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.

Bridge Housing owns \$50m worth of community housing properties, manages assets worth \$350m and our rental income is approximately \$25M per year. As social enterprises with significant amounts of property under management, Bridge housing make a long term investment in our community. We are in the final stages of completing our three year Building Bridge strategy – which provides a three year road map of how we intend to work with the communities in which we operate.

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 Bridge Housing 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).

## (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

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>3</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>4</sup>
- 55 percent of low income private tenants are in housing stress, compared to 45 percent nationally.<sup>5</sup>

While its effect is not limited to Sydney- the extent of the crisis is more severe in 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>6</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>7</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>8</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

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

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

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

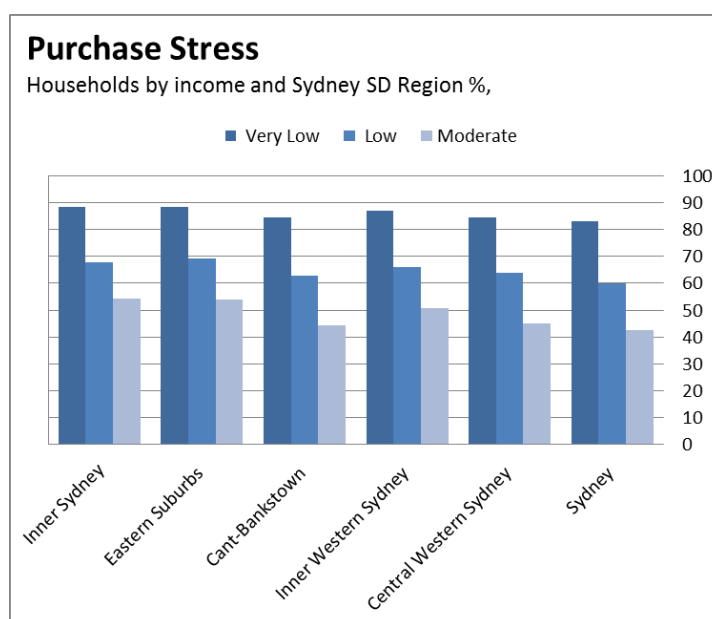
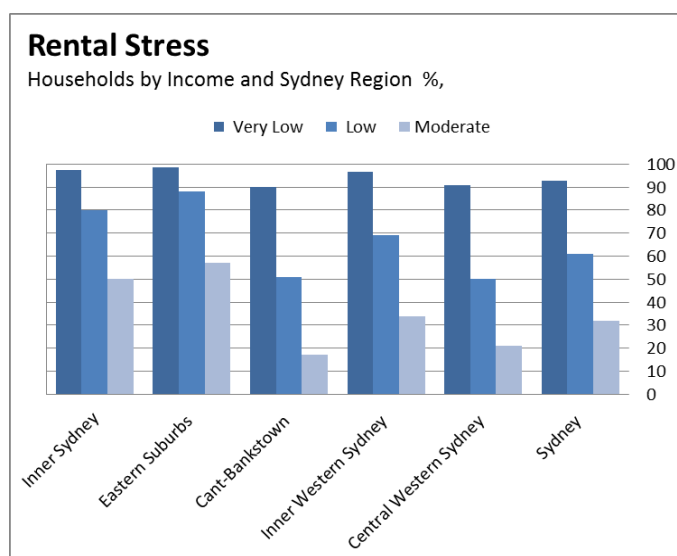
6 <http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/For+Planners+of+Affordable+Housing/Where+do+we+need+affordable+Housing.htm>

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

8 ABS 2011

forces these households to live in overcrowded conditions, insecure housing and even homelessness.

This is shown in the Rent and Purchase Stress tables below which show the percentage of low to moderate income households in purchase and rental stress across Bridge Housing's operating region.<sup>9</sup>



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>10</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

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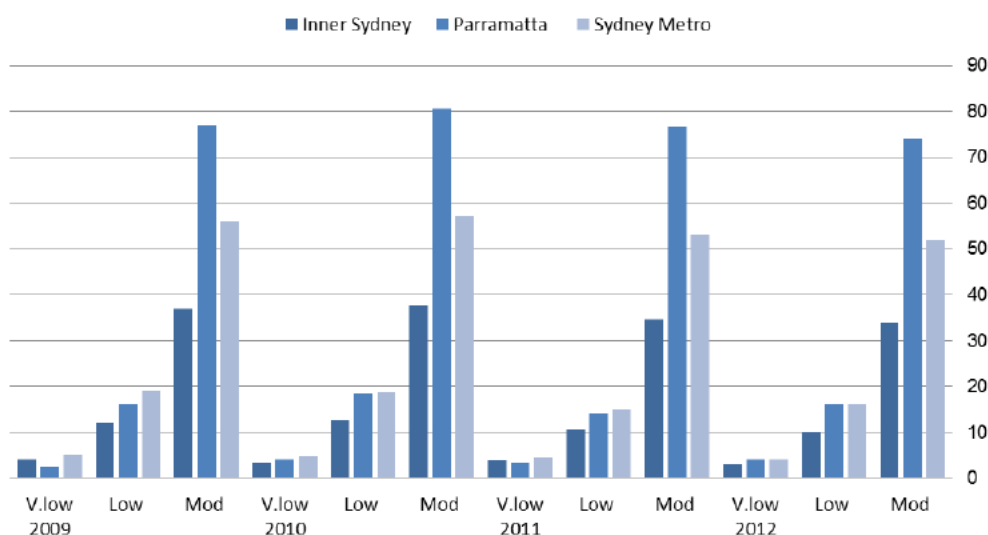
<sup>9</sup> These figures are sourced from the Centre for Affordable Housing a division of the Community Housing and Private Markets Division in Housing NSW, Department of Family and Community Services  
<sup>10</sup> National Housing Supply Council 2011. The State of Supply Report

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>11</sup>

The following Tables show the percentage of rental and purchase properties which are affordable for very low to moderate income households from selected LGA's in Bridge Housing operating region, compared to the Sydney Metropolitan region<sup>12</sup>.

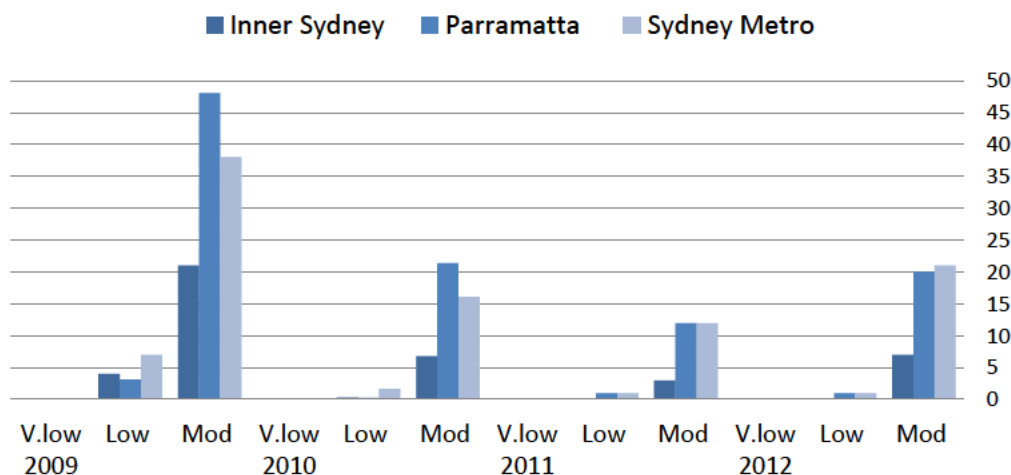
### Affordable rental

Properties by income %, 2009-12



### Affordable purchase

Properties by Income and region %, 2009-12



These statistics are supported by the most recent Rent and Sales Reports from Housing NSW, which reveal steadily rising rents. 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

<sup>11</sup> National Housing Supply Council, *Housing Supply and Affordability – Key Indicators*, 2012

<sup>12</sup> Data From the Centre for Affordable Housing and See Bridge Housing Annual Report 2013 Spotlight 1 Housing supply Affordability for low income households [www.bridgehousing.org.au](http://www.bridgehousing.org.au)

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>13</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>14</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 households 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 significantly as first home buyers are increasingly missing out on homeownership<sup>15</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>16</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>17</sup>. Along with unaffordable rents, for tenants the structure of the private rental market results in insecurity of tenure.

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13 Ferrer, E. 2013 The Private Rental Market, Affordability and Homelessness, presentation to Shelter NSW conference

14 ABS Census of Population and Housing 2011

15 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>>

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

17 Eslake, S. "Crunch Time for Negative Gearing". Insight No.4, Victorian Council of Social Services

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 our industry group the NSW Federation of Housing Association to this Inquiry document the housing affordability crisis in further detail.

## 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>18</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>19</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 that 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>20</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>21</sup> While some additional social housing supply was achieved through the use of properties head leased 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>22</sup>

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<sup>18</sup> AIHW 2013. Housing Assistance

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

<sup>20</sup> FACS Annual Report 2012 -2013, p.38. NSW Government

<sup>21</sup> AHURI 2010. What Future for Public Housing -A Critical Analysis, AHURI

<sup>22</sup> 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>23</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>24</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 targeted, 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, under current policy regime, but funding one new community housing property has the capacity to provide housing for more than one additional household. The cash flows it generates enables leveraging which is amplified through CRA, capital subsidies and tax exemptions – 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- [Bridge Housing is seeking up to \\$42m in private finance to fund its property development program](#)
- Ability to access to the National Rental Affordability Scheme to deliver new dwellings for moderate income earners- [Bridge Housing has secured 300 NRAS 4 subsidies](#)
- Ability to draw on Commonwealth Rent Assistance which averages \$3,000 per tenant per year- [Bridge Housing tenants are eligible for CRA](#)
- Capacity to develop flexible policies to meet local needs and tenants' individual, changing circumstances. [Bridge Housing meets the needs of the street homeless to those requiring affordable housing](#)
- Tax status, which includes exemptions on GST, land tax and stamp duty- [Bridge Housing has tax exempt status and is a Deductible Gift Recipient](#)
- Capacity to work with developers and local government to deliver affordable housing through the planning system. [Bridge housing is working with Urban Growth NSW, private developers, Sydney Olympic Park Authority, Waverley Council and Leichardt Council to provide affordable housing](#)

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<sup>23</sup> National Housing Supply Council State of Supply Report 2013 p.v

<sup>24</sup> NSW Government 2013. NSW Budget 2013/14. Budget Paper No. 3



## **(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 lack of affordable housing has a profound negative impact on people on low to moderate incomes, forcing them to make difficult choices about their housing:

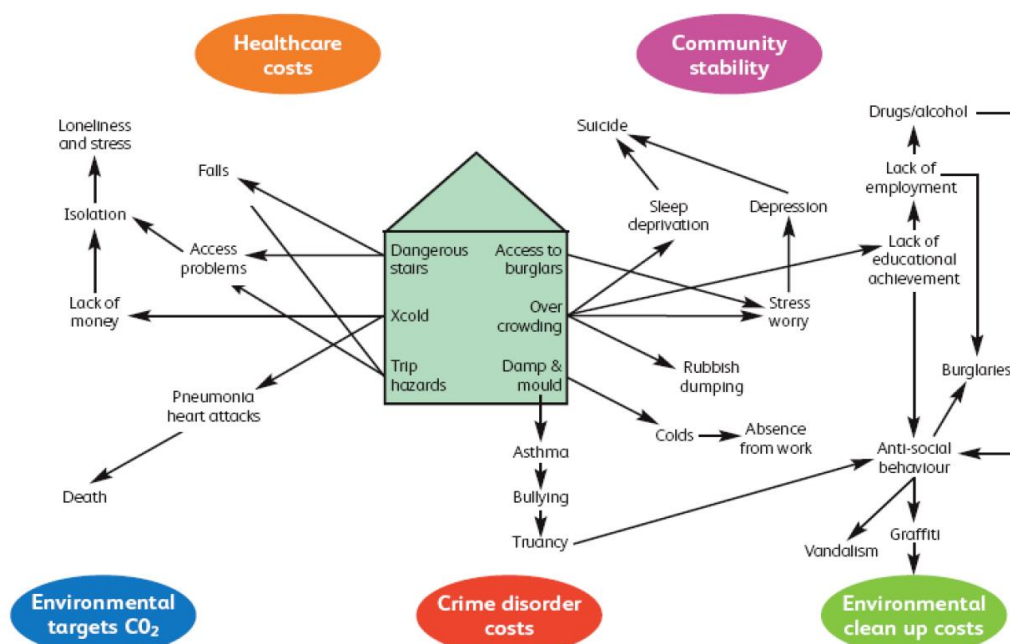
- They can pay disproportionately high housing costs, leaving them unable to afford basic necessities such as food, utilities and health care
- They can live in inappropriate housing, which may be overcrowded, or located far from employment and services, or marginal housing such as boarding houses, or 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>25</sup>

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<sup>25</sup> Dahlgren, G. and Whitehead, M. 1991 Policies and strategies to promote social equity in health. Stockholm, Institute for Future Studies

## 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>26</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>27</sup> Conversely, the security of tenure provided for tenants by social housing 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>28</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.

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. Our Industry Group the NSW Federation of Housing Associations 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

<sup>26</sup> British Medical Association, *Housing & Health*, British Medical Association, 2003

<sup>27</sup> *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. “Experimental Analysis of Neighbourhood Effects.” *Econometrica* 75 (1): 83–119; P Phibbs, *Housing assistance and non-shelter outcomes*, AHURI, Final report No. 74, 2005

<sup>28</sup> 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

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.**

## Community housing's approach to breaking disadvantage

Community housing providers provide 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 Bridge Housing community housing tenant:<sup>31</sup>

*I would also like to take this opportunity to express my sincere gratitude to Bridge Housing for the last 13 years of my tenancy, which gave me the opportunity to further develop myself through study and provide my son with a stable home while we lived in secure and affordable housing. As I am no longer the primary carer of my son and I have achieved a double Bachelor and secured full time employment from this. The time has come for me to move on, to vacate the property and give some one else the opportunities that I was given through my tenancy.*

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. Bridge Housing's Mission is to build sustainable communities through the provision of affordable housing. 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. Bridge Housing operates the largest leasehold program in Australia leasing approximately 620 dwellings<sup>32</sup>.

In addition we are building our capacity to provide affordable housing. Bridge Housing meets the need for more affordable housing through

- 27 x 2 bedroom units in a 42 multi unit development at Eveleigh
- 8 x 2 bedroom units at Wiley Park
- 27x 1 and 2 bedroom units through management of Waverley Council's Affordable Housing Program<sup>33</sup> since 2005;

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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> Bridge Housing Annual General Meeting 2011 [www.bridgehousing.org.au](http://www.bridgehousing.org.au)

<sup>32</sup> Bridge Housing Annual Report 2012 provides a comprehensive overview of our leasehold program [www.bridgehousing.org.au](http://www.bridgehousing.org.au)

<sup>33</sup> Waverley Councils housing program also includes 57 older persons dwellings which Bridge Housing also manages.

- 7 x 2 bedroom units secured through management agreements with private developer using SEPP No 70—Affordable Housing.
- 62 semi detached affordable housing dwellings to be developed and delivered at the Urban Growth's Bunya Development by 2015
- Securing the contract to manage The Sydney Olympic Park Authority's Affordable housing program with 19 x2 bedroom units in 2015

## (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**

Bridge Housing 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>34</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. Bridge Housing has 40 partnerships with support providers to provide sustainable tenancies. A small example of these partnerships include

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<sup>34</sup> The 2012 National Social Housing Survey

- Naemi for Platform 70 a street homelessness program in the inner city of Sydney 87 homeless people have found secure and affordable accommodation in the private rental market 35
- Mission Australia for the Michael's Intensive Supported Housing Accord (MISHA) since 2010 23 street homeless in Parramatta have been accommodated in our Nation building portfolio of 240 properties
- Redcross for its Young Parents Program which works with pregnant and parenting young women to develop effective parenting skills. We assist up to 17 families through our leasehold program

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>36</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>37</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.

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>38</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 Bridge housing works with 40 support partners. Some of these partnerships have been described above. The following examples illustrate the scope of services offered through Bridge Housing

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35 See Reducing Homelessness through Innovation Bridge Housing Annual Report 2013 p.44  
[www.bridgehousing.org.au](http://www.bridgehousing.org.au)

36 Enhancing the effectiveness of Australian social housing integration initiatives, AHURI 2006

37 Department of Housing and Works, 2002

38 The Productivity Commission, 2010

- **Physical disability** Bridge Housing in partnership with Ability Options and with funding from ADAHC redesigned developed a four-unit house to meet the needs of 4 physical disabled children requiring 24 hour support in Ashfield <sup>39</sup>
- **Homelessness** Bridge housing operates Platform 70 in provides housing for street homeless In Woolloomooloo based on the “housing first” model. Bridge Housing 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. The program has been extended for another year to house a further 30 homeless people after the initial target of 70 people was reached in 2012-13
- **Policing** Bridge Housing like other community housing providers use Record of Understanding to enable them to work in partnership with the police to tackle crime and anti-social behaviour.

## 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.

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>40</sup>

In addition to high satisfaction levels from partners, community housing providers also receive very positive feedback from their tenants. Bridge Housing undertakes annual tenant surveys since 2006 and we have averaged overall satisfaction levels of 84 percent .<sup>41</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>39</sup> See Bridge Housing Limited Annual Report 2012, Spotlight Six Securing Disability Access p.54

[www.bridgehousing.org.au](http://www.bridgehousing.org.au)

<sup>40</sup> Bridge Housing Limited Annual Report 2013

<sup>41</sup> Bridge Housing Limited Annual Report 2013. See Report Card 2009-2013 for comparison data p 68

[www.bridgehousing.org.au](http://www.bridgehousing.org.au)



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

- ❖ **The public housing model no longer works – in NSW**
- ❖ **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 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>42</sup>

This situation has not arisen overnight. For over a decade, researchers and public policy practitioners have identified a looming structural deficit.<sup>43</sup> Nor is the situation unique to NSW. 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>44</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>45</sup> In the context of increasing waiting lists and decreasing affordability this does not make policy sense.

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.

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<sup>42</sup> Audit Office of NSW 2013 Making the Best Use of Public Housing executive summary

<sup>43</sup> 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

<sup>44</sup> Audit Office of NSW 2013 Making the Best Use of Public Housing p.3

<sup>45</sup> Audit Office of NSW 2013 Making the Best Use of Public Housing p.11



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 model

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. Bridge Housing ensure the value of the asset through appropriate responsive and cyclical maintenance, and where possible 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 the factor that the majority of properties are owned by the Land and Housing Corporation. This makes the ability to exercise effective Asset Management strategies difficult as decisions about disposal eg of a property which has reached the end of its useful life, are made by the Land and Housing Corporation

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. Bridge Housing as a Class 1 provider has an active asset management and maintenance strategy. With the annual program reported on through the Asset report section of our Annual Report<sup>46</sup> We develop comprehensive 10 year Asset Maintenance plans and these are revised with fresh scopes of all properties every three to four years. We are currently completing our second round of comprehensive property scopes which will refresh our property condition reports and costs of future maintenance. This enables us to manage our future maintenance risks.

As Bridge Housing moves into development, we recently won the Urban Growth Tender to deliver 62 affordable dwellings on the Bunya Estate in the Blacktown LGA we 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 their financial performance more generally.

Bridge Housing was first registered in 2010 and has maintained its Class 1 Registration through three annual compliance assessments by the Regulator.

In addition we are also subject to the due diligence of financial institution from who we wish to borrow funds they pay careful attention to the impact of the asset maintenance plans and the total development program on community housing providers cashflows and their ability to repay loans. In addition, providers are expected to survey tenants regularly to determine satisfaction levels, including with maintenance, against a threshold of 75 percent satisfaction.<sup>47</sup> As noted above Bridge

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<sup>46</sup> Bridge Housing Limited Annual Report 2013 Asset Report p.54 [www.bridgehousing.org.au](http://www.bridgehousing.org.au)

<sup>47</sup> National Regulatory System for Community Housing Directorate Evidence Guidelines; National Regulatory System for Community Housing Directorate Registration Return Guide

Housing has undertaken annual tenant surveys since 2006 and our satisfaction rating for maintenance has averaged 75 percent.

## (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>48</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 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>49</sup>

Bridge Housing operates in the region referred to in the Sydney Metropolitan Strategy as the Global Economic Corridor. The Strategy states<sup>50</sup>

*This corridor will be protected and developed as the most important cluster of professional and service industry jobs in the country, with a total of 213,000 additional jobs by 2031. It will also*

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<sup>48</sup> Spiller, M 2013 Social division, social housing and productivity: a Brisbane case study, SGS Economics and Planning Pty Ltd

<sup>49</sup> Australians for Affordable Housing, *Opening the doors to employment*, 2013

<sup>50</sup> [www.strategies.planning.nsw.gov.au/Portals/0/Documents/MetroCommunityGuide.pdf](http://www.strategies.planning.nsw.gov.au/Portals/0/Documents/MetroCommunityGuide.pdf)

*contain a number of new Urban Activation Precincts, where the Government will focus attention on renewal and housing delivery over the next few years.*

Yet it is the region with the lowest levels of housing which is affordable to those who would benefit most through the employment growth and the redevelopment of the region .

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.

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.

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 head-leases properties 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.. This, of course, does not replace the need for building more permanent affordable housing, and the role of the leasehold program will always be in addition to a robust, affordable housing supply program

Bridge Housing also manages affordable housing for Waverley Council and private developers created from the current Environmental Planning and Assessment Act. As discussed above we also provide arrange of affordable housing through our portfolio. . The Cowper St Glebe redevelopment of an ageing public housing estate in inner Sydney is part of mixed social, affordable and private development..

Bridge Housing is also providing affordable housing at Bunya in the Blacktown local government area. Bunya is a new master planed estate of 820 lots developed by UrbanGrowth located next to Doonside in Western Sydney. The estate is unique as it is a new suburb located on an infill site, as opposed to being on the outskirts of the Sydney. The infill location maximises existing infrastructure like heavy rail, buses, shopping and access to employment.

As part of the approval process 62 lots have been allocated for affordable Housing and are being developed by Bridge Housing. The new houses will generally be duplex in style and consist of 3 bedrooms on the second floor with living and kitchen on the ground floor along with a single garage.

The dwellings will provide affordable rental housing that seamlessly blends in with the rest of the Bunya community and will not be distinguishable as affordable housing. The dwellings will incorporate strong elements of passive design to reduce ongoing running costs and increase the liveability of the houses.

The project will utilise, and is made possible by, 62 NRAS incentives that form a key component of the funding structure. The project value is in excess of \$30 million and will be completed late 2015.

## **(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 Bridge Housing and the industry to do more. 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>51</sup> and the completion of the NSW Property Transfer Program in 2011, there have been no clear policy directions regarding the future of community and public housing in the state.

Bridge Housing's tender for Cowper Street, Glebe shows how the absence of a clear policy direction can delay projects and significantly delay the supply of much needed social housing. Cowper Street is the redevelopment of an inner city site at Glebe that previously consisted of 150 dwellings built pre 1950 that were at the end of their economic life. The redevelopment will deliver 153 social housing dwellings, 80 affordable housing dwellings and 250 market dwellings and makes significantly better use of the land. The redevelopment is a collaborative project between Housing NSW, Bridge Housing and City West Housing.

Bridge Housing won the right to participate in the project through a competitive tender process run by Housing NSW in 2010 with project completion expected by December 2013. Bridge Housing will contribute in excess of \$10 million towards the social housing component and will oversee the design and delivery of the project with Housing NSW. The project will also utilise NRAS funding as a key component of the capital structure.

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<sup>51</sup> NSW Government, Planning for the Future 2007 – 2012. Housing NSW [www.housing.nsw.gov.au](http://www.housing.nsw.gov.au)

The social housing component is being designed to provide desperately needed social housing for seniors. The requirements of seniors will be incorporated into the design of the building along with the level of service and support Bridge Housing will provide to tenants.

With delays by the government on vesting the social housing building of 153 dwellings will now be completed in late 2016, three years after the original completion date

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. Bridge Housing 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>52</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 by the Land and Housing Corporation within FACS. Bridge Housing will work through its industry body The NSW Federation of Housing Associations 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 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.**

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<sup>52</sup> Productivity Commission Report on Government Services 2014, Chapter 17 “Housing” p.17.52



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 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 redeveloping and renewing older estates, leveraging private finance, and assisting community housing providers to achieve further economies of scale.. . 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. The redevelopment of an older public housing estate in Cowper St Glebe is a good example of what is possible. This inner city site will deliver a mix of 153 social housing units, 80 affordable and a private development. Bridge Housing successfully tendered for the 153 social housing units. With NRAS funds we can borrow up to \$10m towards the \$40m construction costs.

Similarly we also won a tender for the redevelopment of social housing in Seven Hills to deliver up to 160 affordable housing units. With NRAS we could borrow up to \$14m. Unfortunately the NSW government did not proceed with this project and Bridge Housing is seeking to reallocate 160 NRAS subsidies to other sites.

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>53</sup>. While the 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

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<sup>53</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, Victorian Government Department of Human Services on behalf of the Housing Ministers Conference, Melbourne



including leverage to undertake maintenance or increase affordable housing supply.<sup>54</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, Bridge Housing like 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.

In order to facilitate the establishment of a large scale tenanted property transfer program, Bridge Housing refers to the work undertaken by the Federation which has conducted industry-based research to identify the key elements for effective implementation of transfers.<sup>55</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, as illustrated above in the Cowper St and Seven Hills example. Recent reports indicate varying levels

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

55 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

of leverage capacity, and assume varying degrees of reliance on title.<sup>56</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 the security of the income stream (rent plus CRA) over the long-term, this can only be secured through title or a long term lease which matches the loan term. This highlights the importance of title in maximising access to private finance.

**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.**

## 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>57</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. Bridge Housing maximised its borrowing potential through NRAS in financing Cowper St and Seven Hills redevelopments

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>56</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

<sup>57</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>58</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 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.

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<sup>58</sup> Community Housing Federation Australia 2013. National Rental Affordability Scheme Participant Roundtables November-December 2012: Final Report. CHFA, Canberra

## 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.

Bridge Housing supports NCOSS's call for \$250 million over 4 years, to develop 3,000 additional social and affordable housing dwellings.<sup>59</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.**

## Policy support for community housing

Alongside growth funding and industry development funding, Bridge Housing argues the community housing industry requires 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, Bridge Housing like other 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, Bridge Housing 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.

**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. Bridge Housing strongly supports 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.

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<sup>59</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

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>60</sup>

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.**

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<sup>60</sup> National Regulatory System for Community Housing Directorate Evidence Guidelines; National Regulatory System for Community Housing Directorate Registration Return Guide

## **(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 and indeed strip out much of the positive affordable housing elements.

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. Bridge Housing 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.**

## **(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 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>61</sup> Bridge housing is planning to deliver 62 dwellings at the UrbanGrowth development at Bunya by 2015, this will be financed through a mix of debt, equity and NRAS.

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

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<sup>61</sup> NSW Registrar of Community Housing Annual Statement of Performance, 2012



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>62</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. Bridge Housing has done this in the Cowper St Glebe redevelopment, with NRAS we can support borrowing up to \$10m, without NRAS we can only support borrowing up to \$3.0m. On the Seven Hills development which is no longer proceeding we could support borrowing up to \$14m with NRAS and \$4.5m without NRAS.

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 through the reduction in risk premiums 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>63</sup> A linked Australian project, the AHURI Investigative

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<sup>62</sup> Australian Government, 2013

<sup>63</sup> Lawson, J., Gilmour, T., & Milligan, V., (May 2010) International measures to channel investment towards affordable rental housing. AHURI

Panel on Institutional Finance of Rental Housing, convened 25 national finance, development and housing organisations to test scenarios on our domestic shortfall.<sup>64</sup>

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>65</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.

## 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 crisis. To optimise the role of community housing providers governments at all levels must give greater consideration to packaging a range of subsidies through a mix 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.

Bridge Housing will not discuss the particular instruments which could be used to secure funds. We refer you to the discussion in the NSW Federation of Housing Association submission to the Inquiry.

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<sup>64</sup> 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

<sup>65</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>

**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.**

## **(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 falling housing affordability 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 19. 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 20. 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 21. 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 22. 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.**

## **(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>

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

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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

<sup>68</sup> 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

<sup>69</sup> 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

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 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.

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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



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 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.

Bridge Housing's provides housing for older people through

- Our mainstream program
- In partnership with other agencies:
  - Mercy Arms a program of Catholic Care which targets older homeless people and provides supported transitional single unit accommodation.
  - Waverley Council's Older Persons program which provides 57 one and two bedroom units for older people in the Waverley Council area. Bridge housing provides housing management services and the Council facilitates service delivery
- The Cowper St Glebe development, to be delivered in 2016, for 153 older people will provide a significant addition to housing for older people in the inner city and how we can maximise opportunity for ageing in place by maximising access to community based aged care services.

**Proposal 23. 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 24. 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 25. 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.**

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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

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