

**Submission
No 82**

INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE HOUSING

Organisation: Mission Australia

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**NSW Legislative Council –
Select Committee on
Social, Public and
Affordable Housing**

Mission Australia submission



Mission Australia welcomes the opportunity to make a submission to the NSW Select Committee Inquiry into and report on demand for social, public and affordable housing. Mission Australia Housing (MAH) was established in 2009 to help fill the significant shortfall in social and affordable housing in Australia. MAH currently owns or manages more than 2,000 properties, including Sydney's \$32 million Common Ground development.

Mission Australia has also delivered the landmark homeless programs the *Michael* and *MISHA Projects*, the *Inner City Drift Project*, and our homeless aged care services *Charles Chambers Court* (inner-city Sydney) and *Annie Green Court* (Redfern). The NSW Select Committee may be less familiar with interstate initiatives such as: *Going Places* in Cairns, a housing first program for Aboriginal people; and *Resolve*, a tenancy support program for people with a mental illness. Mission Australia would be happy to provide the Committee with the research and evaluations we've conducted on any of our services.

Mission Australia's submission includes some overarching recommendations as well as responding to specific areas identified in the terms of reference.

Introduction

Australia is experiencing a failure of the housing market that has resulted in a severe lack of affordable housing, particularly for those on low income. In NSW the situation is as bad or worse as other states and is deteriorating.

NSW has the most acute shortage of housing with an estimated gap of 89,000 dwellings, it has the highest proportion of low-income renters paying more than 30 (and 50) per cent of their income of all the states and yet NSW is projected to supply growth less than Victoria or Queensland.ⁱ

The provision of social and affordable housing is intrinsically linked to other parts of the housing market. Demand for social and affordable housing is significantly exacerbated by the high-price of private rental, which in turn is influenced by people's ability to purchase, tax incentives for investors, and planning and land release policies.

The proportion of people who own their home is falling, more people are renting, and government investment in housing is at a historical low as a proportion of new stock.ⁱⁱ

Between 1947 and 1961 State and Commonwealth Government contributed directly to 24 percent of new housing stock. Between 1976 and 1991 this fell to nine per cent.ⁱⁱⁱ And at the height of the Social Housing Initiative (SHI), which added 20,000 properties to the social housing stock and was the only significant investment in new stock in recent decades, the Commonwealth Government indicated that it had **some** form of investment in, in 1 in 20 new dwellings, or 5 per cent. The SHI is now finished with no successor in sight.^{iv}

At the same time, demand for social and affordable housing is increasing with more than 220,000 people on public and community housing waiting lists across the country.^v With an ageing population we will also be confronted by more people in need of low-cost housing, and with new and emerging groups of people at risk of homelessness, such as older women with limited retirement savings.

The lack of social and affordable housing is a bottleneck in our ability to reduce homelessness – people are at increased risk of homelessness if they are in housing stress, and it is difficult to end homelessness for any individual or family if there are no permanent properties for them to move into, regardless of what support services are available.

The NSW Government is also currently undertaking a reform of the NSW Specialist Homeless Services known as *Going Home Staying Home*. Mission Australia supports the intent of the reforms to move to a system focussed on providing preventions and early intervention services where they are needed most. However, access to low-cost housing is one of the key pillars of such a strategy, and without an increase in supply, the *Going Home Staying Home* reforms will struggle to reduce homelessness.

Housing policy straddles Commonwealth, State and Local Governments but there are a number of key areas where the State has key responsibilities ranging from the National Rental Affordable Scheme, planning controls, transfer of assets to community housing providers and inclusive zoning.

A likely review of the Council of Australian Governments National Affordable Housing Agreement will provide another opportunity for the State and Commonwealth to work together on a common framework for increasing supply and examine issues like rent subsidies.

And there are significant opportunities for the NSW Government to innovate and lead debate in Australia on solving this crisis, much as it has done in the development of Social Benefits Bonds.

Overarching recommendations

- Ongoing investment in a range of below-market housing options including social, public and affordable housing is critical at both the federal and state levels to address the growing need for affordable, stable housing, particularly for low income and disadvantaged families and individuals.
- Ongoing support of the National Rental Affordability Scheme (NRAS) including its expansion over time
- Improvements in the planning and regulatory environment, including examining the impact of developer costs and land release policy.
- Continue to transfer existing stock to Community Housing Providers where CHPs are able to provide improved services for tenants and leverage assets to generate new stock.
- Consider major urban renewal projects in areas where there are concentrations of run-down social housing. Overall stock numbers need to be expanded, or at least retained, through this process.
- Mission Australia sees potential to unlock private financing with targeted government support through new instruments like social benefit bonds.
- Mission Australia sees the value of existing government expenditure maximised through the use of institutional investment. The development of both a debt and equity product would provide a means to secure private sector capital for affordable housing. Funding for construction would be split between State, Local and Private Investors, with the Commonwealth providing a low-risk guarantee to support this activity.

Mission Australia’s response to the terms of reference

1a. Projections of future social, public and affordable housing supply and demand to 2020

There is currently inadequate housing to meet demand. Australia wide, the National Housing Supply Council forecast shortages in the five years to 2015 to be around 328,800 dwellings and could increase to more than 640,000 dwellings over the next 20 years.^{vi} The NHSC also estimates Australia is short of 553,000 affordable and available properties for people on low income renters because the properties that are affordable, are often taken up by people ‘camping’ in the rental market because they cannot afford to buy. At the same time, 60 per cent of people who are on low incomes who rent are in housing stress^{vii}.

Demand for public housing is estimated to rise by 28% or about 93,000 houses by 2023.^{viii} This lack of supply has impacted on the affordability of housing and when combined with limited social and affordable housing, increasing numbers of Australians at risk of homelessness.^{ix}

Nationally, social housing also has a low rate of turnover – only six percent of tenants exit each year.^x People generally remain in social housing because there are no affordable housing options. In short, there is nowhere else for them to go. The low turnover also means that without significant additional stock, it will be virtually impossible to shrink the waiting lists.

According to the NSW Families and Community Services data as at 30 June 2013, NSW had 144,390 social housing residential properties and 57,451 applicants on the ‘housing register’ or waiting list.^{xi} With over a third more people on waiting lists than the current stock of social housing properties, the need to increase the stock of social, public and affordable housing is clear.

When analysed state by state, the National Housing Supply Council’s projects that NSW’s net supply growth in housing will be lower than Victoria and Queensland to 2031. This projection reflects building activity over the last thirty years and is despite the strong population growth experienced in recent years (see table below).^{xii}

Projected net supply growth by state/territory, cumulative 2011-2031

	Low-supply scenario	Medium-supply scenario	High-supply scenario
NSW	528,000	615,000	731,000
Vic	751,000	926,000	1,066,000
Qld	615,000	766,000	964,000
SA	113,000	166,000	203,000
WA	389,000	428,000	544,000
Tas	21,000	35,000	43,000
NT	7,000	12,000	17,000
ACT	35,000	52,000	73,000

The pressure on the existing stock of social, public and affordable housing, is also forcing people to remain in crisis accommodation. A report by Shelter NSW into the state of play of the dwellings funded under the Crisis Accommodation Program in New South Wales found that the length of stay in Supported Accommodation has increased significantly due to the lack of alternative accommodation:

“There has been a more than doubling of the proportion staying 3–6 months from 4% in 2000–01 to 10% in 2010–11, and a tripling of the proportion staying more than 6 months from 4% in 2000–01 to 12% in 2010–11. The reasons given for this is that: services are increasingly having to house people with complex needs who take longer to skill up to be ‘home ready’ before transitioning them into long term housing; and the lack of exit points from crisis accommodation and transitional housing (that is, an inadequate supply of affordable rental housing for clients to move into).”^{xiii}

The NSW Government is more transparent about the waiting lists for existing social housing stock than other State Governments and deserves credit for its candour. Its reports show not only the total waiting lists but also the expected time for a new placement, the existing stock and the time since last placement in each region.^{xiv}

Unfortunately the data shows that in many locations waiting times can be counted in decades. While in some rural locations this is a product of very low numbers of properties, if a family is looking for a two-bedroom property in Fairfield, you can expect to wait more than ten years.

This is particularly concerning as the kind of homelessness that increased most between the 2006 and 2011 Censuses was severe over-crowding. Severe over-crowding is most prevalent in two kinds of communities, Aboriginal communities and communities with high proportions of recent migrants in suburbs like Fairfield.^{xv}

Severe over-crowding is one form of homelessness which will respond directly to changes in supply.

Affordable housing in the private-rental market is often in the wrong location. Analysis by Australians for Affordable Housing showed that housing is unaffordable for jobseekers in all of the 40 regions across the country where they are most likely to find employment.^{xvi}

Further exacerbating the housing challenge is broader population demographics. While our overall population is expected to rise by almost 40% by 2031, the number of households is expected to rise by almost 49%. This is the result of an increase in the number of lone person households, couples without children and lone parents.^{xvii}

An additional demand side issue is Australia’s ageing population which is predicted to more than double numerically from 2010 to 2050, and to increase as a proportion of the total population from 31.4 per cent in 2010 to 40.0 per cent in 2050.^{xviii} Affordability considerations for an ageing population are likely to be a growing issue requiring sustained attention and sustainable strategies. To date, older people have received less attention in public policy than other groups requiring affordable housing. Mission Australia (see below) manages two aged care families in NSW which are specialist providers for the elderly who would otherwise be homeless.

A comprehensive solution from government, business, and the community sector is needed to the challenges faced in the housing sector and to deliver more affordable housing to enhance Australia’s productivity and competitiveness.

1b. Data regarding the link between the lack of appropriate social, public and affordable housing in New South Wales and indicators of social disadvantage

The financial pressures associated with the cost of housing is having an increasingly detrimental impact on families and individuals and creating a bottleneck in solving homelessness. People living in severe housing stress are at high-risk of becoming homeless. In 2011 there were 220,000 people on the social housing waiting list Australia-wide and of those that were lucky enough to move into social housing, 90 per cent were homeless or at risk of homelessness.^{xxix} 60 percent of households in public housing also include at least one person with a disability.^{xxx}

Housing is allocated to those most in need, but people often need to be in very difficult circumstances to be given priority, leaving a large number waiting under significant duress.

A lack of affordable housing increases the chances of homelessness. People in severe housing stress are at high risk of homelessness and those who are already homeless are forced to extend their stay in specialist crisis or transitional accommodation given the lack of affordable options available for them to transition into a home. Not only does this compromise the outcomes for those stuck in temporary accommodation, it prevents other people from accessing those services given the level of demand that exists.

The affordability of housing is generally accepted as being critically linked to a tenant's ability to pay for housing without having to expend a disproportionate amount of their households' income. In NSW, as in most states, housing is usually considered affordable if it costs less than 30% of gross household income. In Australia, almost half a million low income households are spending over this amount of their income on their housing and are therefore considered to be in housing stress – i.e. struggling to meet the cost of housing. Housing stress is complex and has impacts at the household level as well as wider community effects and range of social impacts on the family. The complex experience of housing stress means that a multiple of services are needed across a range of social and employment services for those experiencing housing stress. In 2009-10 the National Housing Supply Council reported that 60 per cent of low income private renters were in housing stress, up from 57 per cent in 2007-08 and a larger proportion still in capital cities.^{xxxi}

The majority of individuals experiencing housing stress in private rental are also recipients of Commonwealth Rent Assistance^{xxii} – the provision of which is the largest single direct expenditure on housing incurred by the Commonwealth and costs them more than the net cost associated with the provision of social housing.^{xxiii} The increased financial burden of housing, utility and general living costs on individuals reliant long term on Commonwealth Rent Assistance means that their poverty becomes more entrenched and basic needs often remain unmet. The significant burden for individuals reliant on such assistance is further exacerbated by mortgage stress and mortgage defaults resulting in people losing their homes and increasing competition within the private rental market.^{xxiv} We argue this cycle of increasing poverty must be prevented and note the obvious longer term financial benefits to government of making housing more affordable (while noting it would represent a considerable initial outlay), not least of all from the savings offered by reducing expenditure on rent and other housing assistance. Addressing supply and affordability issues in the market provide a means by which to break this cycle.

Research shows that affordable housing has broader outcomes than just a place to live. People who are able to access affordable housing invest in their social environment; build a sense of belonging and community, as well as being able to respond to labour market trends by increasing labour mobility. Affordable housing is therefore more than just a place to live, as the long term social and economic outcomes which result are often overlooked. Affordable housing is needed to foster healthier and stronger communities, as well as connecting residents to jobs and services by public transport or other alternative means such as bikes or walking, and broadening people's economic opportunities. The discussion on affordable housing needs to consider the links between access to 'healthy, affordable, well-located housing' with potential 'intergenerational implications for engagement with work and community and for productivity in the economy'.^{xxv}

Almost a third (30%) or 2.4 million Australian households now rent their homes, more than a million of which are households in the lowest two income quintiles. While renting needs to be viewed as a valuable form of accommodation and housing, many renters in the private rental market rent on short-term arrangements with little security of tenure due to the lease agreements in place. In fact twice as many lower income households live in private rental compared to public housing.^{xxvi} This lack of affordable rental properties combined with an under investment in social housing has also resulted in people living in informal and temporary accommodation. Low income households are now increasingly forced to compete with higher income households to access what limited private rental stock is available, particularly at the affordable end. This competition has resulted in the more affordable properties often being occupied by higher income groups. For example, some 56% of current low-cost private rental properties are occupied by higher income households.^{xxvii} Figures suggest that almost two thirds of low-income private renters miss out on affordable housing and the situation is even worse for very low income households where nearly four in five households are not able to access affordable housing.^{xxviii} The situation has worsened with the most recent Housing Supply report noting a shortfall of 493,000 properties at the affordable end of the rental market available to those with incomes in the lowest two quintiles as a result of occupation by households from higher income brackets.^{xxix}

What this demonstrates is that a solution to the failure of the housing market requires a tiered approach which takes in a range of below market interventions – affordable housing at a proportion of market rent, community and social housing supported by rent subsidies.

1c. Housing design approaches and social service integration necessary to support tenant livelihoods and wellbeing

Services to support tenants are at the heart of homelessness prevention. Providing support to people in their homes to maintain a tenancy – such as designing repayment programs if they are in rental arrears or helping them to manage their mental illness – is a much more effective and efficient way to reduce homelessness and it improves the health and wellbeing of tenants. The health and justice costs to government once a person become homeless will far outweigh the cost of tenancy support^{xxx}. Equally, the intensity of the service required to support people in their own home will be much less than the case management required if they are rough-sleeping.

The best supports are those which can expand and contract to meet the needs of tenants or clients so that they can access what they need, when they need it.

Mission Australia has adopted an integrated service delivery model so that all our diverse programs operating in one local community – from childcare to homeless accommodation and employment programs to education – are now integrated. Services have an integrated management structure designed to deliver a seamless client experience but which also optimises the services on offer.

For example, the NSW Attorney General, Greg Smith, recently opened NSW's newest Homeless Persons Legal Service at the Mission Australia Centre in Surry Hills. It now sits alongside homeless services, an employment program through Jobs Services Australia, a dental program and vocational education, which draw on a range of different partnerships and funding sources, under a single management structure.

This also means that supports can be tailored to the needs of clients so that they can easily access what they urgently require but are not forced through services they do not want or need because of a bureaucratic process.

Our integrated services and national governance model minimises company overheads through resource economies of scale, avoiding task duplication, and ensuring efficient workflows. This structure also guarantees maximum funding is directed to resources at service level.

The most vulnerable homeless clients invariably have multiple and complex needs. There is now significant evidence to suggest that for this group, providing tailored wrap-around services while they are accommodated is an effective way to end their homelessness.

Examples of effective approaches to supporting tenancies through tailored service support include:

- Mission Australia's MISHA project is an integrated service for men who are chronically homeless. 98 percent of our clients were able to support their tenancy over a 12 month period because of the support they received.
- The *Michael Project* was an innovative homeless program funded by a private donor that co-ordinated wrap-around support for men experiencing homelessness in Sydney, and demonstrated that it was more costly for government to leave these men homeless than to provide support. Over just one year it would have saved taxpayers \$3,600 for every person who was assisted, and that's after the costs of delivering the program had been deducted. The program was expanded with the MISHA project.
- The *Resolve* program is a response to assist people with mental illness who are at risk of losing social housing. Participants are provided with up to 30 hours per year of support by case managers and/or broker support services from appropriate service providers. This up-front investment in a higher level of service cost \$720,000 over 2 years but for every \$1 invested by the Government, the Government saves \$13.50 and the total benefit to society as a whole is \$19.50 for each \$1. These savings were achieved through reduced need for mental health services and public housing, and a greater capacity for self-help. Savings were also achieved for housing providers with reduced costs to their business including ability for other tenants to maintain tenancies

- The NSW Government funded *Housing and Accommodation Support Initiative* is another standout program supporting people with a mental illness to maintain their accommodation. The NSW Government 2012 evaluation of HASI found that “when housing is linked to appropriate clinical and rehabilitation support, people are better able to overcome the often debilitating effects of mental illness and to live more independent lives.”^{xxxix}
- *South East Community Connections* is a program run by Mission Australia under the NSW Government’s Homelessness Action Plan, which works with a wide array of stakeholders to prevent people becoming homeless and rehouse quickly if they are. By working with everyone from real estate agents to services supporting women leaving domestic violence, SECC was able to successfully support more than 500 clients with relatively light-touch interventions rather than more intensive case management when they’ve become entrenched in homelessness.
- Similarly, the *Inner City Drift Project* has sought to prevent people finishing up in crisis services in the inner city of Sydney and has worked with first to know agencies, including justice, Centrelink and housing, to assist people in Western Sydney where they have networks and social capital. More than 1000 people were assisted through this program and our research and evaluation of this service will be released later in the year.

1d. Maintenance and capital improvement costs and delivery requirements

Affordable housing needs to be seen as a society’s infrastructure. It’s unproductive for people to be spending significant amounts of their income on housing when it could be used for other purposes.

The sale value of social and affordable housing should be seen as the present value of its future cash flows, with the expectation of those homes that have been delivered with a defined shelf life.

Funding of future maintenance / capital expenditure needs to be considered from the beginning; in some cases this will include establishing upfront sinking funds with appropriate levels of capital.

It is not viable for the government to transfer dilapidated housing stock to community housing providers with the expectation that they can cover the costs for neglected maintenance out of operating budgets which are very finely tuned.

1e. Criteria for selecting and prioritising residential areas for affordable and social housing development

As noted, Mission Australia understand the importance of residential mix. International and national research clearly highlights the negative impacts that concentrations of public housing have. These negative impacts include effects on individual, households and communities in relation to health, education, crime, employment opportunities and welfare dependence, as well as long term wellbeing and self-esteem issues (AHURI 2008). Indeed, often these concentrations are referred to as ‘toxic’ as the combination of results from these areas are far reaching. Additionally, communities where there are high concentrations of social housing are often stigmatised and residents there are unable to access the full range of services that are available to them.

Affordable housing needs to be provided in areas where there are transport links and job opportunities and in areas where there is a socio-economic mix of tenancies. Without this social

disadvantage becomes entrenched with the concurrent social problems listed above becoming endemic. Mission Australia recognises the importance that any future policy should include major urban regeneration projects which have good access to work and the benefits of urban living, and we welcome the Minister's recent announcement to begin this process in Claymore. Equally, current Government plans for expansion of major transport infrastructure should include co-commitment for affordable housing.

Housing needs to be developed near to transport locations and where employment prospects are better. The report by Australians for Affordable Housing mentioned earlier is a useful indicator of where entry level jobs are currently available but further modelling would be beneficial.

Equally, current Government plans for expansion of major transport infrastructure should include co-commitment affordable housing plans.

Mission Australia has included with our submission several maps to demonstrate some of the areas of highest need. Although these should not be taken to be definitive, they are a useful tool to inform discussions of where housing should be developed.

These include:

- A map of housing stress;
- A map of rates of severe overcrowding; and
- A map of rates of homelessness in regions of NSW.

The maps demonstrate the 'hot spots' for both people who are already homeless and those at risk of homelessness so provide a useful starting point for discussions of allocation of new stock. Adding further layers of information – including employment and transport, will give greater nuance to this picture.

As part of the *Going Home Staying Home* reforms the NSW Government commissioned both PWC and Deloitte to create a resource allocation model of homeless service funding. This process involved developing composite maps of various factors of social disadvantage which would be useful references for further planning.

As much of homelessness policy is now underpinned by a 'housing first' approach, it is imperative that housing is developed where there is a significant need. The GSH move to reduce demand for crisis services in the inner city will require a commensurate increase in affordable housing on the fringes of the city and elsewhere so that people can find suitable housing options.

Additional research on demographic changes and growth within particular cohorts would also be valuable to the government in terms of long term planning; highlighting for example the growing number of older 'at risk' of homelessness women in particular locations. This would help inform planning strategies five to ten years in advance, and will be necessary to provide affordable housing across various demographics and regions into the future. The natural delay in planning, construction and occupation means this process must start immediately.

A range of measures will be required as part of planning for and developing new stock including:

- Planning scheme improvements where there is public transport infrastructure and employment opportunities;
- LGA level requirements to at least maintain a minimum level of social and affordable housing;
- Areas that are rezoned or where increases in density are approved should be required to deliver to the public a level of social and affordable housing at a price that can be fully funded;
- Social and affordable housing projects should have reduced planning red-tape as they are critical social infrastructure; and
- Consideration by NSW Government of land or other inputs to improve the viability of new social and affordable housing developments.

Mission Australia supports inclusionary zoning to ensure social and affordable housing is included in major residential developments.

1g. Recommendations on State reform options that may increase social, public and affordable housing supply, improve social service integration and encourage more effective management of existing stock including, but not limited to:

(i) Policy initiatives and legislative change

Housing policy in Australia involves inputs from all levels of government through a combination of grants, tax incentives, land, and support for tenants which underpins revenue. Harmonisation of housing policy and regulation across the country will be an important development as a robust regulatory environment is needed to underpin investor confidence in the sector.

State governments have significant responsibility for planning, land supply and regulation which can all exacerbate the feasibility gap of housing and either assist or impede the supply of affordable housing. States also have a substantial role in the direct delivery of affordable housing, and their policies will determine whether stock is built in areas that are well serviced by transport and amenities, and in areas where employment and other opportunities are also available.

The Report on Government Services 2014 outlines the following delineation of roles and responsibilities between levels of government in relation to housing:

“The Australian Government provides funding to assist with the achievement of housing and homelessness related outcomes for which states and territories have primary responsibility. Each level of government has different roles and responsibilities:

- *“The Australian Government influences the housing market through direct and indirect means, including providing CRA, home purchase assistance, financial sector regulations and taxation. The Australian Government has also initiated a variety of other measures, including the National Rental Affordability Scheme, the Building Better Regional Cities program, the Housing Affordability Fund and the Social Housing Initiative. Further information on CRA can*

be found in the *Housing and homelessness sector overview G and attachment GA (tables GA.12–GA.34)*

- *“State and Territory governments administer and deliver housing services, such as public housing, community housing, SOMIH and other Indigenous housing. They also provide financial support to renters through private rental assistance and to buyers through home purchase assistance, and some jurisdictions provide home finance lending programs. State and Territory governments are also responsible for land use and supply policy, urban planning and development policy, housing-related taxes and charges (such as land taxes and stamp duties) and residential tenancy legislation and regulation*
- *“Local governments are mostly responsible for building approval, urban planning and development processes and may be involved in providing community housing.”^{xxxii}*

As part of the Social Housing Initiative, State Governments vested a significant number of assets to CHPs in order to allow private leverage and further expansion of stock. However, stock-transfer has been patchy from state-to-state and the pace of vesting has slowed, curtailing this opportunity. States also maintain responsibility for regulation of CHPs. Harmonisation through the National Regulatory System will help underpin growth in national providers and will be crucial to promoting investor confidence in the sector.

In addition to greater clarity and coordination of roles across levels of government there are a number of policy initiatives that should be considered to improve housing affordability and the supply of social, public and affordable housing. Amongst these are:

- Inclusionary zoning to ensure social and affordable housing is included in major residential developments and is transacted at either zero or a price that allows future net cash flow to support 100% debt.
- Maintaining and potentially increasing Commonwealth Rent Assistance (CRA). While CRA is funded by the federal government, it is a crucial investment not only in supporting low income families but necessary to finance the social and affordable housing sector.
- Taxation reforms at the Commonwealth, state and local levels of government. The scope of potential reform of taxes related to housing, land and property investment is large and Mission Australia would support a full review of this sector done in partnership across levels of government. Current taxation settings currently favour owner-occupiers over other household types and have also skewed the market towards investment in higher cost housing and therefore compounded issues around affordability.
- Infrastructure charges, planning and development assessment arrangements. Again, scope to reduce costs involved in the planning and development stages will improve the viability of further investment in housing.

Mission Australia also supports increased investment in private rental housing through expansion of initiatives like the **National Rental Affordability Scheme (NRAS)**. NRAS has been a means to attract private investors into supporting affordable housing.

While not perfect, expansion and improvements are needed to reward the interest of the large scale investors it was initially designed to attract and meet the target of 50,000 low rent homes within a reasonable timeframe. It's imperative that market confidence is maintained in this burgeoning type of tax incentive to stimulate private investment. Otherwise the long memories of the institutional investment sector could doom any future effort to fund housing off the government balance sheet.

A study by Bond University has quantified the overall taxation and revenue benefits from for NSW alone to be generated by NRAS by 2026 as \$445million for the NSW Government and \$101 million for local government. Australia-wide benefits from NRAS are quantified as:^{xxxiii}

- Under the current 50,000-dwelling arrangement of NRAS, the initiative will generate a total of **\$9.3 billion in revenue** for federal, state and local government agencies;
 - Approximately **\$2.7 billion** in revenue is expected to be created for state government parties throughout Australia. The majority of this revenue (55%) will be collected from stamp duties and other fees associated with transactions of NRAS properties.
 - A total of **\$868 million** will be generated for local government. The majority of this revenue (80%) will be collected from annual council rates and charges, which are collected on an on-going basis;
- A total of **329,000 full-time equivalent jobs** will be created by NRAS initiative and comprise:
 - **121,000 direct jobs** in the construction industry, which include 95,253 construction-related jobs and 25,320 consulting jobs;
 - **208,000 indirect jobs** in other industries, created through multiplier effects as a result of income generated by the construction jobs above;
- In relation to income generated by NRAS-driven employment a total of **\$18.9 billion** will be generated nationally for the Australian workforce.

Given these significant benefits, Mission Australia supports ongoing investment in NRAS.

(ii) Planning law changes and reform

A whole of government approach to planning is required that will reform and streamline planning approval processes, planning outcomes that encourage and allow development, and expedite the timeliness of planning applications, reviews and land release.

Planning systems must be redesigned so that they encourage, enable and expedite approval processes for construction of affordable housing or mainstream property developments that include a proportion of affordable housing.

New developments over a certain number of dwellings (e.g. 50) should be required to allocate a set proportion of the dwellings to affordable or social housing (particularly on Government owned sites).

Planning system reform should also reduce the cost associated with developing new housing – such as land, construction and infrastructure levies and provide greater development certainty thereby reducing finance and holding costs. There is also a need to encourage more effective use of land through the redevelopment of existing estates or greenfield sites; medium to high density development; better infrastructure and transport links; if affordability is to be improved.

There is also scope to better use land currently owned by state governments. Fast tracking land release will provide greater opportunities for investment. Such reform should also consider the adoption of land use and planning laws that encourage the increased provision of affordable housing through the reduction of costs of occupancy associated with medium to high density development. Planning incentives and reductions in levy payments for affordable housing can also reduce delivery costs and risk, and have the potential to attract private developers to incorporate a percentage of affordable housing in their developments – particularly if they get a more expedient approval for larger scale developments.

There is also a need to reduce the cost associated with developing new housing – such as land, construction, infrastructure levies and provide greater development certainty thereby reducing finance and holding costs. Further, land needs to be used more effectively which includes: redevelopment of existing estates or Greenfield sites; medium to high density development; better infrastructure and transport links if affordability is to be improved. This could also include pre-approval for medium density developments within existing city zoning so long as there is an allocation of affordable housing in the proposed development. Increasing palatability in the building industry towards the construction of medium density housing will also be required given the focus is currently at either end of the spectrum – large single dwellings or inner city high rise.

(iii) Social Benefit Bonds

Internationally there are already examples where private capital has been raised to fund housing and homeless programs, including the City of London Social Benefit Bond. Combined with funding for reform under the NPAH, a social benefit bond could provide a new source of funding for additional investment in homeless services.

In the UK social impact bonds will be used to fund new services to a group of over 800 entrenched rough sleepers. This expansion of services for rough sleepers was based on a business case put forward by The Young Foundation and Social Finance which identified and modelled the costs associated with rough sleepers and the potential costs savings generated from service provision for rough sleepers. The authors found that considerable costs were generated by leaving people to sleep rough with the average total cost per rough sleeper estimated at £20,665. This total costs was comprised of rough sleeping costs associated with outreach services (£1,664), accommodation costs (£3,818), criminal justice costs (£10,693), employment costs (£20,000) and health costs (£1,664).^{xxxiv} Service provision models outlined in this analysis ranged from a high intensity model to a low intensity model, allowing for service providers to be flexible in the provision of services. The costs associated with the provision of a low intensity service for rough sleepers were estimated at £5,700 while the costs associated with a high intensity service were estimated at £11,600. Based on these estimates, if a rough sleeper received the high intensity service, a net saving of £9,160 would be generated from the provision of service. With low intensity service provision the net saving generated per rough sleeper increases to £15,060. This findings of net savings generated from the

provision of homeless services found in this project are consistent with those of the Michael project and indicate that the use of social impact bonds to fund services to those who are homeless has the potential to generate substantial net returns to investors.

As a participant in the NSW social benefit bond trial, Mission Australia has a solid understanding of what is needed from service providers partnering in a social impact bond. Firstly, a provider with a strong focus on outcomes and an evidenced-based intervention is critical to delivering a successful social impact bond. Agreement with government on a proven or promising service delivery model and outcomes that can be measured forms the foundation of any social impact bond. Anticipated outcomes of a proposed intervention should be demonstrable and validated by the service provider in order to subsequently establish the measurement and commercial terms of a bond.

Service providers also need to have strong data collection and reporting capacity to partner in a social impact bond. Once all stakeholders have agreed on an objective mechanism for assessing and agreeing on the degree to which social outcomes have been achieved, the service provider must have the capacity to undertake robust and reliable outputs and outcomes measurement. Mission Australia services report regularly on service outcomes with data captured in the Mission Australia Community Services Information Management System (MACSIMS). MACSIMS is used to maintain client records by over 200 of MA's services and is certified for Specialist Homelessness Services data collection. Furthermore, service delivery teams are supported by the organisation's Research and Social Policy team who assist by providing evidence for service delivery, planning for research and evaluation components of work, as well as developing tools and other mechanisms which allow the organisation to answer the critical question of whether and how programs are helping people to move towards the goal of independence.

In relation to homelessness and the potential for a social benefit bond, Mission has experience that could help inform the development and delivery of a successful social benefit bond. Mission Australia has piloted two key innovative programs, (the Michael Project and MISHA (Michael's Intensive Supported Housing Accord)), to tackle homelessness for men identified as chronically homeless. Funded by a philanthropic partner, the Michael and MISHA service models are client driven, strengths-based and goal-focussed. They are based on the principles of assertive case management and the provision of wrap-around or holistic services to ensure that clients are provided with both psycho-social and economic supports to improve well-being and ensure that housing accessed can best be sustained. In addition, the programs focus on addressing the psychological impacts and determinants of homelessness and on supporting clients to access meaningful activity, including employment, and to build clients' networks of social support. Service provision is undertaken in a collaborative manner, working in partnership with other organisations and services where appropriate.

Both the Michael and MISHA projects have generated improvements in tenancies, decreased episodes of repeat homelessness, increased engagement in employment and training and decreased use of hospital services, and provide a good program model for a social benefit bond in housing and homelessness. In particular, the MISHA project found sustained tenancy rates of 98.6% over a 12 month period for 74 men who, prior to entering the program, were chronically homeless. The Michael project found that after 12 months average health costs for clients involved in the program

had declined substantially from \$20,985 to \$12,763, justice costs had declined from \$3,370 to \$224 per client, and engagement in the workforce had increased from 5.5% to 17.8%^{xxxv}

Importantly, both of these projects were supported by detailed longitudinal studies that provide the data and evidence base on which to form new programs and initiatives, including the cost inputs for a social benefit bond.

Overall, the Michael project found that considerable cost savings were generated from this type of service provision, with a cost saving of \$8,446 per year identified for every client involved in the project²¹. The evidence generated from the Michael and MISHA projects indicate that substantial improvements in sustained tenancies and decreased episodes of repeat homelessness, increased engagement in employment and decreased costs of hospital services can be achieved with a service model which provides assertive case management and the provision of wrap-around or holistic services. In addition, the Michael project shows that such programs have the potential to generate significant cost savings, and hence a return on investment. As such, they provide an ideal service model to be funded through social impact bonds.

Furthermore, Mission Australia has worked extensively with all government departments to deliver homelessness services which have proven impact and long-term savings for government. Highlights include:

- The Going Places program involved homeless outreach which moved long-term homeless people into sustainable housing. The investment from government was \$3.6 million over 4 years but delivered quantified benefits to society of over \$33million over 4 years and avoided further costs of \$27.4 million over 4 years to government. For every \$1 invested, the government saved \$5.10 in public services no longer required. The savings reflect reduced need for crisis accommodation, incarceration, court proceedings, police time, diversionary services, time in hospital, and participants being able to support their own children amongst other benefits.
- The Resolve program, as mentioned above, which is a response to assist people with mental illness who are at risk of losing social housing

Mission Australia would welcome the opportunity to work with the NSW Government on a social benefit bond on homelessness.

(iv) Market mechanisms and incentives

The social impact bond discussed above is an opportunity to incentivise investment in services to reduce homelessness. In addition to this, Mission Australian sees significant potential to expand, improve and innovate in the mechanisms that deliver social and affordable housing. A new asset class of private investment in rental housing is possible if not actually emergent, but it relies on consistent, intelligent government underpinning.

Experience from overseas has shown that effective methods do exist to attract private investment into the development of affordable housing through community housing providers. This relationship is symbiotic in that as the sector grows so too does the level of private investment. Also as the sector gains in reputation and performance they become more attractive to investors.^{xxxvi}

Both the Productivity Commission in 2010 and the Senate Economics References Committee in 2011 have acknowledged the lack of access to capital as an impediment to the supply of affordable housing and recommended a financial intermediary and other incentives for investment in a bond market respectively.^{xxxvii} These options are considered further below.

Mission Australia would support consideration of a range of mechanisms to support the financing of the social and affordable housing sector including: bonds and mortgage guarantee schemes and bond financing systems; and government guarantees to reduce perceived risk for investors.^{xxxviii}

In addition to attracting funds, there are attempts to reduce the cost associated with developing new housing – namely land, construction, infrastructure levies; and reducing finance and holding costs by providing greater development certainty. All these costs can be reduced substantially particularly if developments are undertaken in conjunction with state housing departments as well as suitable builders/developers.

Housing Supply Bonds

Recent work undertaken by the Australian Housing and Urban Research Institute (AHURI) identifies real opportunities to finance affordable housing through Housing Supply Bonds, which promote institutional investment in affordable housing.^{xxxix}

Discussions of a housing supply bond are timely as the private sector is actively pursuing options to expand the Australian corporate bond market and indeed the Commonwealth Government has already indicated it is prepared to lend its balance sheet to secure low-cost finance for significant infrastructure projects.

Bonds could also be issued directly by government, or using financial intermediaries with the Commonwealth providing a low-risk guarantee to support this activity.

Guarantees

The use of a government guarantee to unlock construction finance provides significant cost savings as direct, actual costs for Government are lowered.

Debt is accounted by the housing provider or developer, while the government notes the contingent liability based on accepted accounting standards. Experience overseas is of a very low rate of default and documented minimal impact on balance sheet and credit rating.

Such an approach has the potential to better harness private sector capital and reduce the direct cost for government in the longer term.

Mission Australia sees the value of existing government expenditure maximised through the use of institutional investment. The development of both a debt and equity product would provide a means to secure private sector capital for affordable housing. Funding for construction would be split between State, local and private investors, with the Commonwealth providing a low-risk guarantee to support this activity.

While current tax incentives that favour capital gains have been attractive to individual housing investors, institutional investors do not benefit from any corresponding incentives to invest and they are more focussed on higher rental yields. Any innovative finance mechanism will require certainty

in revenue. To date institutional investors have been slow to invest in programs like NRAS because of concerns about government policy changes – the fundamentals are there, but they do not want to be left with an ‘orphaned asset.’ Although there are a number of features of NRAS and CRA which could be refined, certainty and predictability in these income streams are essential.

Through improvements to existing funding mechanisms and continued support of NRAS and CRA, the government would provide investors with revenue certainty and ensure that direct Commonwealth funds only flowed when a tenant was living in their newly built, affordable home. This would then be magnified many times over by the private funding unlocked by this yield support.

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

The National Affordable Housing Agreement brought together housing and homelessness funding in the one instrument combining the previous Commonwealth State Housing Agreement with funding for the Supported Accommodation Assistance Program. This is in effect grant funding to the States and there is no delineation between housing and homeless service funding.

This funding is essential to maintain state operated social housing but is insufficient to increase the overall stock. Indeed, the proportion of all dwellings that are social housing is actually declining – from 4.7 per cent to 4.5 per cent between 2006 and 2011.^{xi}

While the States will retain important responsibilities for delivery of housing, a revised NAHA could be focussed more effectively to attract institutional investment. By reviewing the outcomes set for the NAHA and State obligations, it could include performance benchmarks and incentive payments linked to increase in supply, changes to planning and provision of state funding – through land or other mechanisms. Other COAG agreements have such reform requirements already.

While the move to outcome-based measurements over outputs in the current NAHA was clearly desirable, the assessment has been bewildering because of the lack of appropriate data to draw conclusions about whether the investment has achieved its goals. It is difficult to determine the total spend on social and affordable housing or homeless services across the states, and particularly in the case of NSW, for instance:

- The Productivity Commission has reported that the NSW Government spent \$134.4 million in 2012-13 from the NAHA on Specialist Homeless Services and that the NSW government spent it’s matching under the National Partnership Agreement Homelessness on Homeless Action Plan programs.^{xli}
- In the same year, NSW received \$41.4 million from the Commonwealth for the NPAH according to Commonwealth budget figures. As the NPAH is a matched agreement, NSW should have spent an equivalent \$41.4 million so that the total spend should include NAHA and NPAH would be \$217.12 million in that year. However, the NSW budget papers or the *Going Home Staying Home* information does not reflect this matching funding.
- The Department of Family and Community Services has confirmed that in the next financial year NSW will reduce its homeless service funding by \$29 million in light of the fact that the Commonwealth has not committed to a new NPAH. This leaves the NSW government with a

total spend of \$138 million for the coming year, which is effectively equivalent to an indexed amount of NAHA funding. NSW does not appear to have matched the NPAH agreement.

A clearer outcomes-framework would help ensure greater continuity in the approach to affordable housing across different levels of government and improve transparency. A revised NAHA could also consider direct, contestable capital grants to CHPs for particular projects, but these would likely still require State support, particularly for land acquisition.

The NAHA also envisaged stock transfers from State governments to Community Housing Providers as a means to increase stock, and there will be a need to reinvigorate this discussion.

A revised instrument will also need to grapple with the different elements of funding between State and Commonwealth governments and how alignment can be improved as they affect the viability of the both social housing and community housing.

These include:

- Rent subsidies, either provided by the NSW government in their charging policies or the Commonwealth through Commonwealth Rent Assistance and what share each level of government can support depending on who manages the stock;
- Operating costs for existing properties, and their interaction with rent setting policies
- New capital to increase growth or the creation of a Growth Fund, to ensure a new instrument delivers supply and that it provides incentives for additional private investment
- Security of tenure for tenants and the movements of tenants between government operated housing and CHPs
- The continued harmonisation of regulation of CHPs to enable them to operate across states without an undue compliance burden but also to underpin confidence in the sector from the investment market
- The role of different tranches of housing – social, community, affordable, income-supported private rental and even rent-to-buy schemes which exist in some states.

The interactions of these elements and the different policies in different states means that careful consideration will need to be given to any changes.

(vi) Ageing in place

The Australian Bureau of Statistics (2006-2011) showed an increase in the number of homeless people aged 55 years and over by 21 percent in NSW during this time, and evidence suggests that this is an ongoing trend with a fifth of all homeless being experienced by those over the age of 55.^{xlii} For this reason Mission Australia's Charles Chambers Court is a much-needed aged care facility servicing the needs of the aged homeless.

Further, based on Charles Chambers Court (CCC) is Annie Green Court in Surry Hills which is a \$16 million facility funded by the Federal Government at Redfern which offers permanent accommodation for 72 residents alongside 24-hour nursing and medical assistance, psychiatric

support, good nutrition, allied health intervention, social interaction and community participation. Both of these services offer a response to the needs of elderly vulnerable people who would otherwise be homeless or living in poor quality accommodation.^{xliii}

As these services are operated and regulated under aged-care legislation, they have a very specialised model which is distinct from other homeless services.

Even the nature of the bed licenses, for example, which are used to operate these two services, can have a profound impact on service received by these very vulnerable clients. Currently Mission Australia is able to facilitate ageing in place for our residents because of the ability to scale-up care to meet their needs over time.

This is essential as these services are the last home for the majority of the clients who live there and are often estranged from family. Arranging funeral and memorial services are in fact a vital aspect of this service to ensure that clients' dignity is respected even after their death.

Any changes to legislation governing aged care should take account of the very particular needs of this group.

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ⁱⁱⁱ *Ibid.*

^{iv} B. O'Connor (2013). *Abbott Ignores Housing Affordability and Homelessness*, Canberra. Retrieved from <http://www.formerministers.dss.gov.au/11365/abbott-ignores-housing-affordability-and-homeless>.

^v Australian Institute of Health and Welfare (2013) *Australia's Welfare 2013*, Canberra.

^{vi} National Housing Supply Council (2011) *Key findings of the 2011 State of Supply Report*. Canberra.

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^{ix} *Ibid.*

^x Australian Institute of Health and Welfare (2013) *Australia's Welfare 2013*, Canberra.

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- ^{xix} Australian Institute of Health and Welfare (2013) *Australia's Welfare 2013*, Canberra.
- ^{xx} *Ibid.*
- ^{xxi} National Housing Supply Council (2012). *Housing Supply and Affordability Key Indicators, 2012*, Canberra.
- ^{xxii} At present, CRA is only available to private rental and not-for-profit housing provider tenants, while public housing tenants are ineligible.
- ^{xxiii} Estimated at \$3.1b per annum compared to \$2b net for social housing in 2010/11. Retrieved from http://www.ahuri.edu.au/downloads/2011_Events/NAHA_Hayward.pdf.
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