

**INQUIRY INTO HOMELESSNESS AND LOW-COST  
RENTAL ACCOMMODATION**

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**NSW Government Submission**

**NSW Legislative Council Standing Committee on Social Issues**  
***Inquiry into Homelessness and Low Cost Rental Accommodation***

**3 April 2009**

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## Introduction

The *Inquiry into Homelessness and Low Cost Rental Accommodation* provides an important platform to report on initiatives to increase the availability of low cost accommodation, to inform future policy and program development.

Responding to homelessness and the shortage of low cost rental accommodation are the subject of significant planning and resourcing in both the Federal and State spheres. In New South Wales, the Government considers housing from the perspective of both first home buyers and the most vulnerable households. The *NSW State Plan* sets out some of the NSW Government's efforts and future directions to assist people into affordable and stable housing including promoting growth in affordable housing, maintaining a strong social housing sector for the most vulnerable households, and responding to homelessness.

The rate of homelessness in New South Wales is 42 per 10,000 of the population.<sup>1</sup> The factors that cause homelessness are complex and varied and can include mental health issues, drug and/or alcohol dependency, domestic and family violence, unemployment and family breakdown. Scarcity of affordable accommodation options and high prevalence of housing affordability stress increases the risk of homelessness for low income and vulnerable households, and also limits the options available to provide housing and support to those already experiencing homelessness.

For a growing number of people, housing affordability issues have become a problem. In the past two years, the rate of growth in rents has far exceeded wage growth and inflation. Only a proportion of the properties being rented are affordable for low and moderate income households. This problem is particularly acute in Sydney. Some rural and regional locations also experience significant shortages of affordable accommodation.

A lack of affordable housing is of particular concern in relation to low income households, as they are likely to have inadequate income remaining after they pay for their housing to meet their non-housing needs.

The availability of well-located affordable housing for working households is an economic issue, as well as a social welfare issue. A lack of affordable housing can have significant economic consequences as it can contribute to spatial mismatch between jobs and workers, particularly in relation to the availability of lower-paid workers in high-cost locations.

A diverse housing mix is important to ensure that geographic locations are not overly segregated according to incomes and demographics. Concentrations of low income households and disadvantage can exacerbate the problems experienced by households, and also reinforce patterns of inter-generational transmission of disadvantage.

The NSW Government has a broad range of initiatives in place aimed at improving the efficiency of the housing market and housing affordability. The Government's specific strategies to increase the supply of affordable rental housing are focused on the community housing sector, which has considerable experience in housing provision and is well-placed to develop partnerships that combine Government funding with contributions from other sources, including private finance, to develop affordable housing.

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<sup>1</sup> Australian Bureau of Statistics (ABS), 2008: *ABS 2050.0 - Counting the Homeless: 2006*

The NSW Government referred this Inquiry to the NSW Legislative Council Standing Committee on Social Issues in December 2008, in light of the increasing range of government responses that are emerging to address affordability problems in the housing market. These include new forms of affordable housing for low and moderate income working households, and housing and support models for people at risk of homelessness.

The Inquiry has been requested to report on initiatives, outside of public housing, that are being implemented within Australia and internationally to increase the availability of low cost rental housing. This includes models of low cost rental housing, methods of fast tracking the capacity of providers to deliver low cost rental housing, strategies to attract private sector investment, barriers to growth in low cost rental housing, and strategies to avoid concentrations of disadvantage and grow cohesive communities.

### **Structure of this submission**

Part 1 of this submission outlines the extent of the housing affordability problem in New South Wales and identifies some of the drivers of housing affordability. The implications for the labour market, low income earners, people experiencing or at risk of homelessness, Aboriginal<sup>2</sup> households, and disadvantaged households are briefly discussed.

Part 2 of this submission provides an overview of key NSW Government and national initiatives to improve housing affordability, increase the supply of low cost accommodation, and reduce homelessness.

Part 3 of this submission provides information on policies and programs being implemented in New South Wales, other jurisdictions and internationally to increase the availability of accommodation for working households, and to reduce homelessness. This includes:

- 3.1 Models of low cost rental housing (1a. of the Terms of Reference).
- 3.2 Methods of fast tracking the capacity of providers to deliver low-cost rental housing in a short time frame (1b. of the Terms of Reference).
- 3.3 Strategies to attract private sector investment (1c. of the Terms of Reference).

Part 4 of this submission identifies key barriers to growth in low cost rental housing (1d. of the Terms of Reference), with a focus on the provision of housing and support to respond to homelessness and growth in the community housing sector.

Part 5 of this submission provides some information on the strategies being implemented to redevelop public housing sites, in light of 1e. of the Terms of Reference on strategies to avoid concentrations of disadvantage.

Part 6 of this submission provides some brief concluding comments.

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<sup>2</sup> In this submission, the term Aboriginal is used to refer to both Aboriginal people and people from the Torres Strait Islands.

# 1 Housing affordability

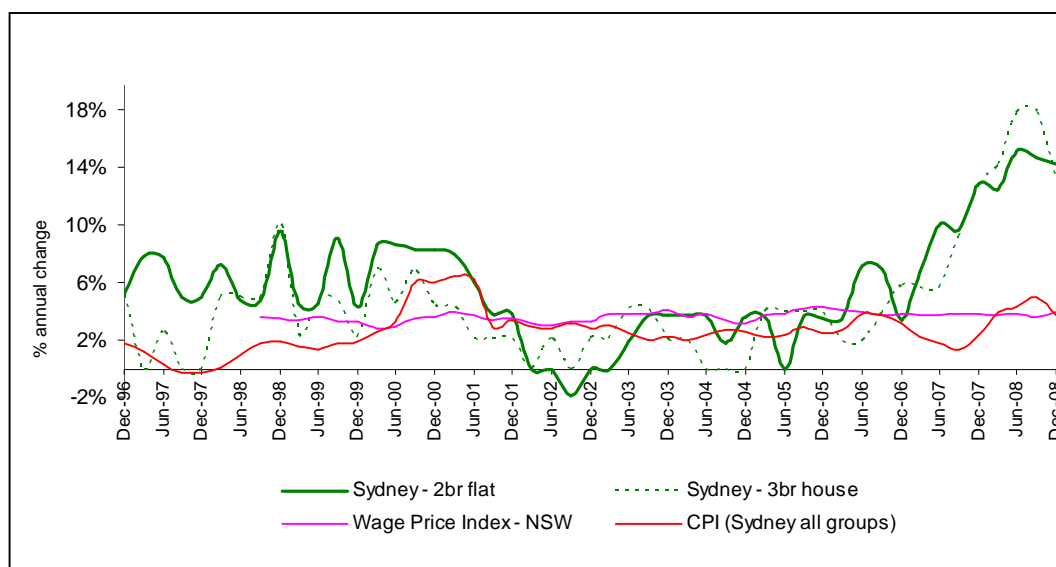
Affordable housing refers to housing that is affordable for households on low to moderate incomes. While housing affordability in the home ownership market is an issue, the focus of this Inquiry is on affordable rental housing. The accepted benchmark of affordability is where low to moderate income households spend no more than 30% of their gross household income on recurrent housing costs. 'Low income' refers to households in the bottom 40% of the income distribution. This is approximated as those households earning up to 80% of the median household income. 'Moderate income' refers to households with earnings that place them between 40% and 60% of the income distribution. This is approximated as households earning between 80% and 120% of the median household income. In New South Wales, the median household income is estimated separately for the Greater Metropolitan Region and the rest of New South Wales. The definitions of low to moderate income households in New South Wales are as follows.<sup>3</sup>

- In Sydney and the Greater Metropolitan Region:
  - low income includes households earning up to \$50,600 gross per annum; and
  - moderate income includes households earning between \$50,600 and \$75,900 gross per annum.
- In the rest of New South Wales:
  - low income includes households earning up to \$45,500 gross per annum; and
  - moderate income includes households earning between \$45,500 and \$68,200 gross per annum.

## Rental affordability problems in Sydney

In recent years, there have been escalating private sector rents in Sydney and the Greater Metropolitan Region. The following graph shows trends in median rents for two bedroom flats and three bedroom houses in Sydney, compared to inflation and wages, from 1996 to 2008.

**TREND IN MEDIAN RENTS, CONSUMER PRICE INDEX (CPI) AND WAGE PRICE INDEX Sydney – Annual Percentage Increases<sup>4</sup>**



<sup>3</sup> When preparing data on housing affordability, these household incomes are usually adjusted to facilitate comparison of income levels between households of differing size and composition. This is referred to as 'equivalised household incomes'.

<sup>4</sup> Housing NSW, based on Housing NSW Rent and Sales data, and ABS Wage Price Index and Consumer Price Index data

The graph above shows that the significant increases in the cost of rental housing since December 2006 far outstrip the increases in wages and inflation over this same period.

Vacancy rates for private rental properties in Sydney are far below the 3% target at which it is generally accepted that supply meets demand. The Sydney vacancy rate reported by the Real Estate Institute of NSW was 1.4% in December 2008.

A low proportion of Sydney's private rental housing is affordable. At least half of the local government areas in Sydney experienced rent increases of 10% or more between the end of 2007 and the end of 2008. Over 30,000 less properties that were affordable to low or moderate income households were rented privately in Sydney in the last two quarters of 2008 than five years earlier in the last two quarters of 2003.<sup>5</sup> In the second half of 2008:

- In Sydney's inner ring<sup>6</sup>, 9% of properties rented were affordable for low income households and 37% were affordable for moderate income households.
- In Sydney's middle ring<sup>7</sup>, 14% of properties rented were affordable for low income households and 57% were affordable for moderate income households.
- In Sydney's outer ring<sup>8</sup>, 32% of properties rented were affordable for low income households and 76% were affordable for moderate income households.<sup>9</sup>

The number of affordable properties that are being accessed by low and moderate income households is lower than the available properties outlined in the above figures. Affordability problems in the home ownership market have meant that many potential first home buyers, including higher income earners, are remaining in rental housing for longer periods and are renting the lower cost housing which could otherwise be accessed by low or moderate income households.<sup>10</sup>

The following diagrams show the proportion of dwellings rented in Sydney in the last two quarters of 2008 that were affordable to households on low incomes and households on moderate incomes, in different local government areas. These maps show the supply of affordable housing. The relative housing need of these areas is also influenced by the local level of demand for housing from low income households and moderate income households.

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<sup>5</sup> Housing NSW analysis using rental bond data from the Office of Fair Trading

<sup>6</sup> Sydney's inner ring includes: Ashfield, Botany Bay, Lane Cove, Leichhardt, Marrickville, Mosman, North Sydney, Randwick, Sydney, Waverley, and Woollahra local government areas (LGAs).

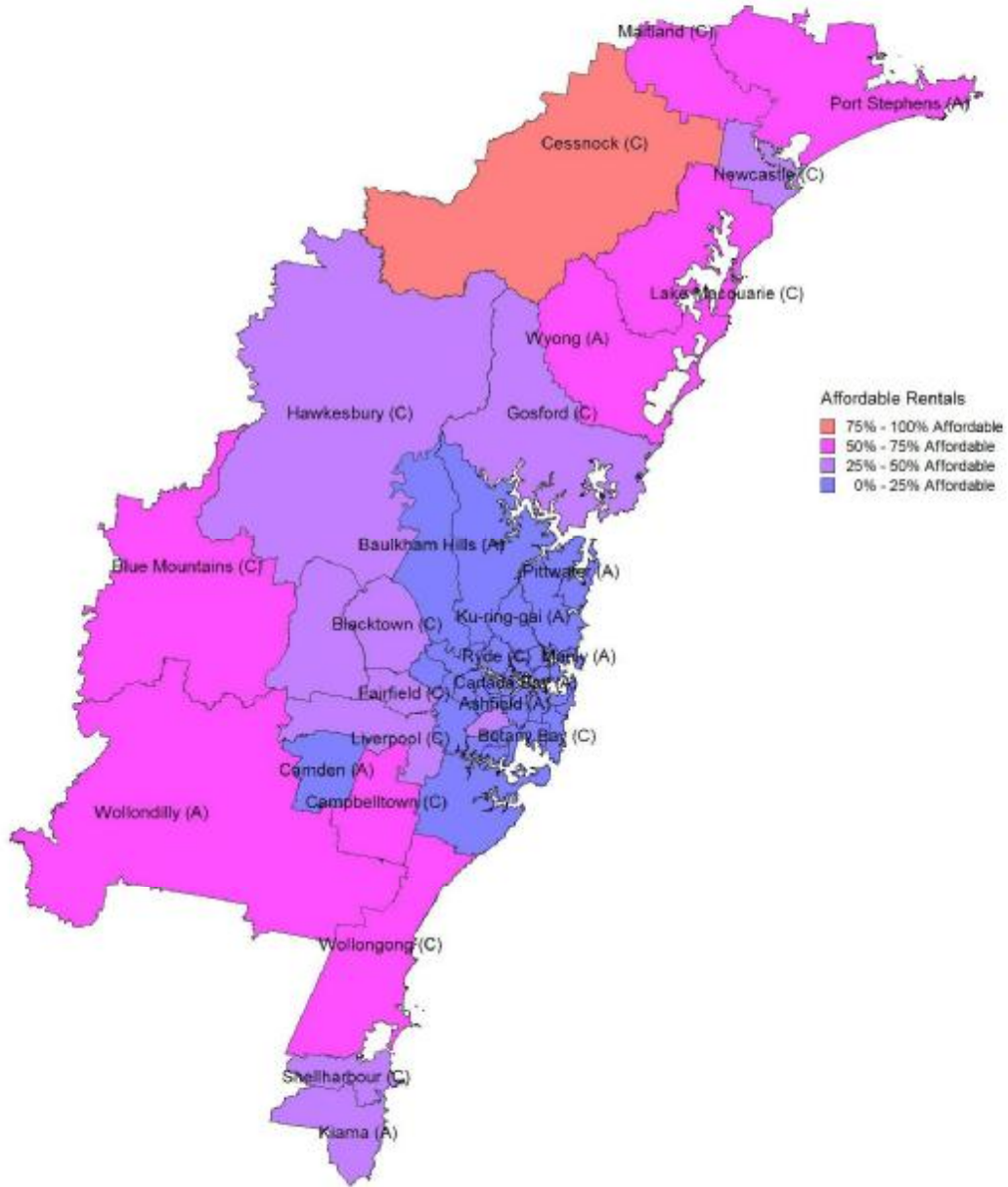
<sup>7</sup> Sydney's middle ring includes: Auburn, Bankstown, Burwood, Canterbury, Canada Bay, Hunters Hill, Hurstville, Kogarah, Kuring-gai, Manly, Parramatta, Rockdale, Ryde, Strathfield and Willoughby LGAs.

<sup>8</sup> Sydney's outer ring includes: Baulkham Hills, Blacktown, Blue Mountains, Camden, Campbelltown, Fairfield, Gosford, Hawkesbury, Holroyd, Hornsby, Liverpool, Penrith, Pittwater, Sutherland Shire, Warringah, Wollondilly and Wyong LGAs.

<sup>9</sup> Housing NSW analysis using rental bond data from the Office of Fair Trading

<sup>10</sup> Yates, J., Wulff, M., and Reynolds, M., 2004: *Changes in the supply of and need for low rent dwellings in the private rental market*, AHURI and Yates, J., and Reynolds, M., 2003: *Low cost rental study*, produced for the NSW Department of Housing in conjunction with AHURI

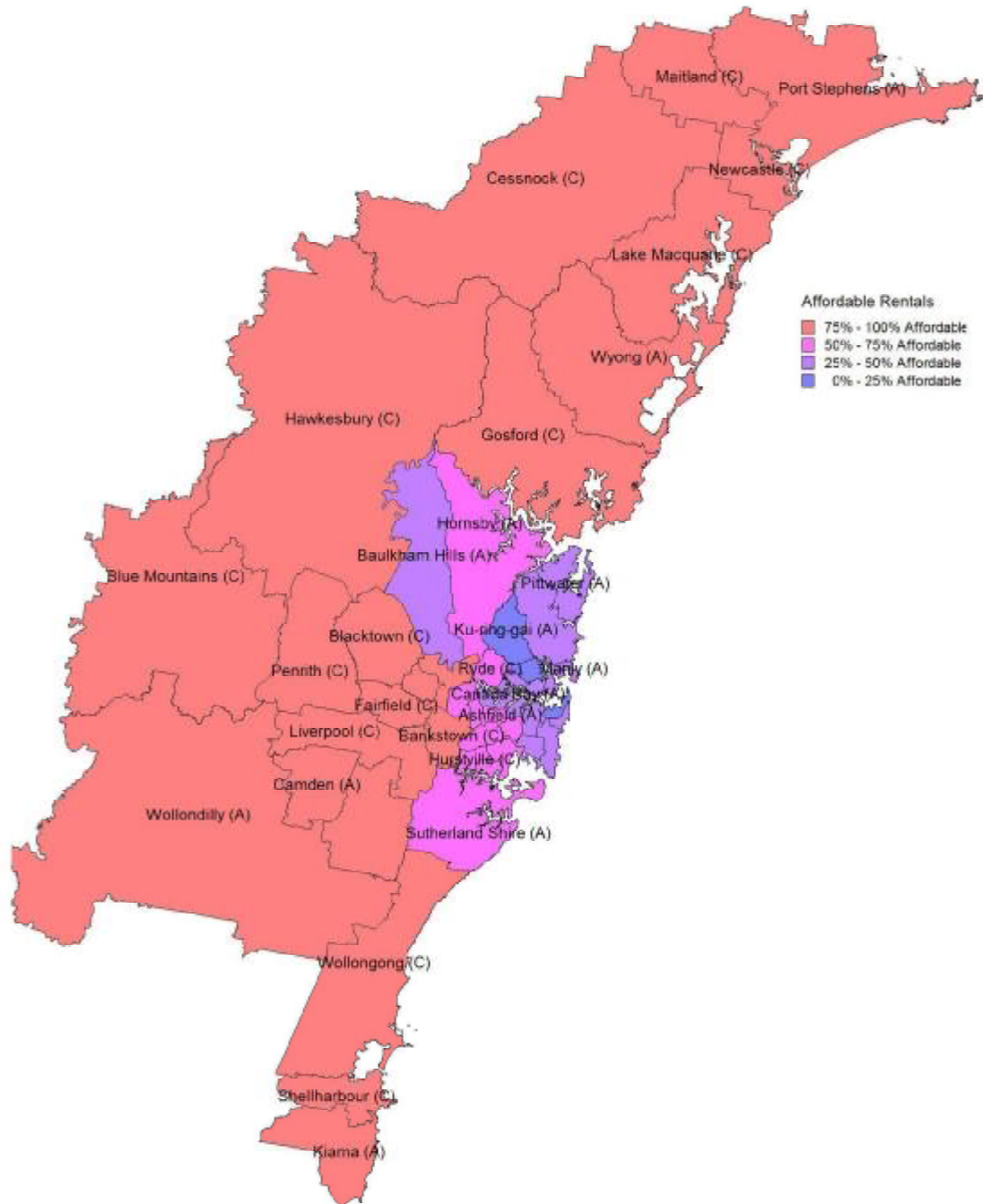
**PRIVATE RENTALS AFFORDABLE FOR LOW INCOME HOUSEHOLDS  
Greater Metropolitan Sydney – July to December 2008<sup>11</sup>**



<sup>11</sup> Housing NSW, using Office of Fair Trading rental bond data and ABS Census of Population and Housing 2006 (Census 2006) average weekly earnings index data



**PRIVATE RENTALS AFFORDABLE FOR MODERATE INCOME HOUSEHOLDS  
Greater Metropolitan Sydney – July to December 2008<sup>12</sup>**



<sup>12</sup> Housing NSW, using Office of Fair Trading rental bond data and ABS Census 2006 average weekly earnings index data

## Rental affordability problems in rural and regional areas

Housing affordability problems are not limited to urban locations such as Sydney. The overall availability of rental accommodation in non-metropolitan areas is often low, and the proportion of this stock that is affordable is declining in many locations. Further, much of the rental accommodation in rural and regional areas tends to be older style housing and is often not suited to the needs of local residents. For example, there can be a lack of housing suitable to the elderly or people with a disability, or a lack of housing suited to particular households such as groups of younger people or single person households.<sup>13</sup>

While the cost of land is generally lower in rural and regional locations than in urban areas, there are other offsetting factors including higher construction costs. Some of the particular problems faced in rural and regional areas include that the one-off entry costs into housing pose major difficulties for low income families, and that many smaller rural communities do not have the necessary capital to initiate successful revitalisation efforts. The provision of quality housing for rent and purchase is expensive and often beyond the means of local communities.

Many inner and outer regional areas are experiencing high growth rates among the Aboriginal population, and lower growth rates among the non-Indigenous population. This means that the Aboriginal population is likely to comprise a steadily rising share of the local population of many inner and outer regional areas in the years ahead.<sup>14</sup> For example, in Tamworth the Aboriginal population increased by 39.5% between 1996 and 2001, while the non-Indigenous population increased by just 1.5%.<sup>15</sup> As Aboriginal households have a greater reliance on social housing than the broader population, this trend means that many regional towns are likely to face escalating housing needs.<sup>16</sup>

There has been a net loss of private rental housing in many rural and regional areas in recent years. This decline in the proportion of private rental housing is a long term trend, and the housing being lost is largely affordable private rental housing.

A total of 44 local government areas in non-metropolitan New South Wales lost occupied private rental stock between 2001 and 2006. 13 non-metropolitan local government areas had a lower proportion of private rental stock in 2006 than in 2001.<sup>17</sup> These include areas with growing populations.

Throughout New South Wales, excluding Sydney, almost 3,500 less properties that were affordable to low income households were rented privately in the last two quarters of 2008 than five years early in the last two quarters of 2003.<sup>18</sup>

The following diagrams show the proportion of dwellings rented in non-metropolitan New South Wales in the second half of 2008 that were affordable to low or moderate income households, in different local government areas. These maps show the supply of affordable housing. The relative housing need of these areas is also influenced by the local level of demand for housing from low income households and moderate income households.

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<sup>13</sup> See Hillier, J., Fisher C., and Tonts, M., 2002: *Rural housing, regional development and policy integration: an evaluation of alternative policy responses to regional disadvantage – AHURI Final Report No. 12*, AHURI

<sup>14</sup> Taylor, J. and Biddle, N., 2008: *Locations of Indigenous Population Change: What Can We Say*, CAEPR Working Paper No. 43/2008, Centre for Aboriginal Economic Policy Research, Canberra

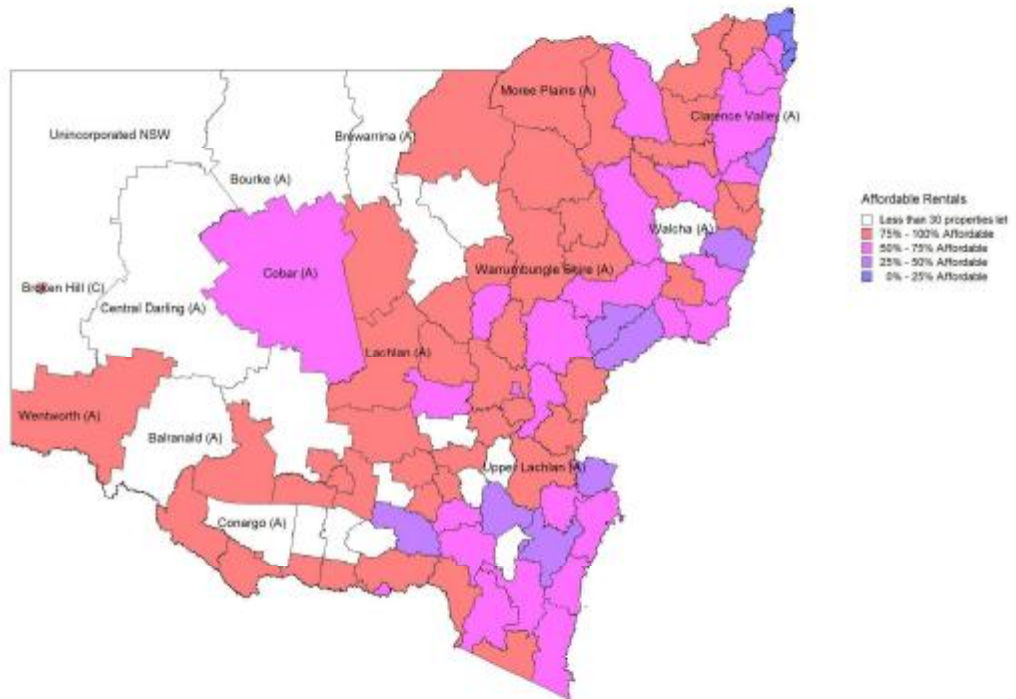
<sup>15</sup> Taylor, J., 2006: *Population and Diversity: Policy Implications of Emerging Indigenous Demographic Trends*, Discussion Paper No. 283/2006, Centre for Aboriginal Economic Policy Research, Canberra

<sup>16</sup> Taylor, J. and Biddle, N. 2008, op. cit.

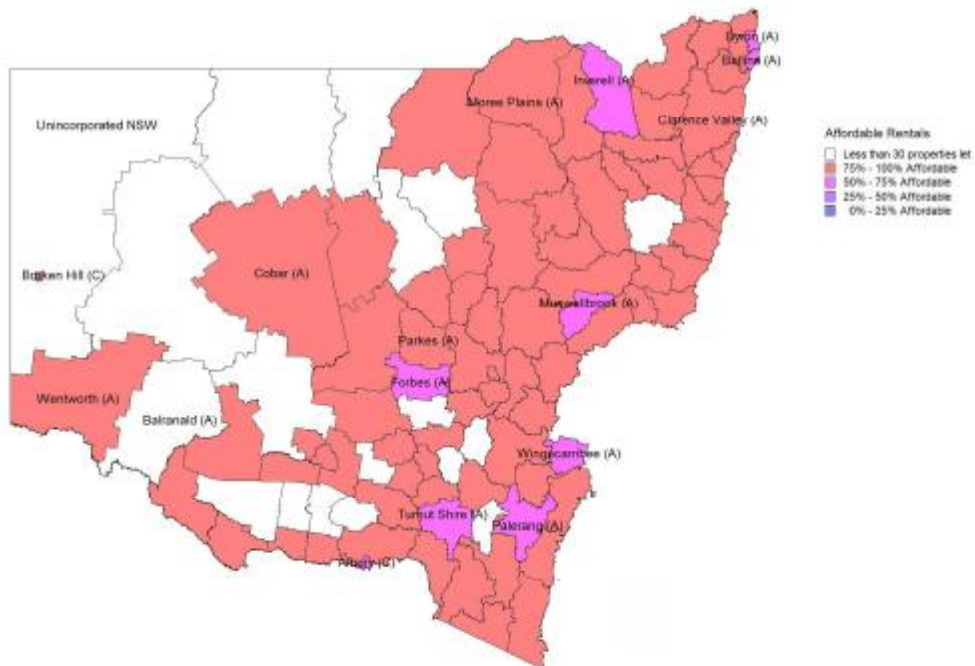
<sup>17</sup> Housing NSW analysis

<sup>18</sup> Housing NSW analysis using rental bond data from the Office of Fair Trading

**PRIVATE RENTALS AFFORDABLE FOR LOW INCOME HOUSEHOLDS  
New South Wales (excluding Sydney) – July to December 2008<sup>19</sup>**



**PRIVATE RENTALS AFFORDABLE FOR MODERATE INCOME HOUSEHOLDS  
New South Wales (excluding Sydney) – July to December 2008<sup>20</sup>**



<sup>19</sup> Housing NSW, using Office of Fair Trading rental bond data and ABS Census 2006 average weekly earnings index data

<sup>20</sup> Housing NSW, using Office of Fair Trading rental bond data and ABS Census 2006 average weekly earnings index data

A number of local areas throughout New South Wales have a very low proportion of private housing being rented that is affordable for low income households. In the second half of 2008, less than 50% of the housing rented in the local government areas of Ballina, Byron, Coffs Harbour, Hastings, Palerang, Queanbeyan, Singleton, Tweed, Wagga Wagga, and Wingecarribee was affordable for low income households.<sup>21</sup>

Inadequate supply of low cost rental housing impacts on the ability to house short term populations. Rural and regional locations experience particular housing difficulties arising from influxes of seasonal or short term workers – for example, fruit-pickers or construction workers for major developments. This increased short term demand for housing drives up prices and displaces local residents who rely on the available low cost accommodation, including hotels, caravan parks and private rental housing. Shortages of accommodation to house short term workers may also impact on business investment. In some locations, increased rental prices and displacements of local residents from low cost accommodation also occur when there is an influx of tourists, such as seasonal tourism in coastal areas.

### **Drivers that affect housing affordability**

Housing affordability is impacted by multiple and interacting drivers. Some of the factors influencing housing affordability arise within the housing system while others relate to broader economic, social and environmental trends. Some of the drivers of housing affordability fall within the NSW Government's responsibilities, while others are the responsibility of the Australian Government, local government or are a multi-jurisdictional responsibility.

The multiple and interacting factors that impact on housing affordability mean that the involvement of all levels of government, as well as the private and non-government sectors, is necessary to effectively address housing affordability problems.

Demand-side drivers that have impacted on housing affordability include the following.<sup>22</sup>

- Sustained economic growth which has attracted skilled workers, overseas immigrants settling in Sydney, and inward investment to cities and regional centres.
- Population growth, underpinned by higher immigration rates.
- Higher household average real incomes, an increased level of disposable income, and an increase in the number of double income households.
- Demographic changes such as the ageing of the population, and changes to household formation including a decrease in the size of the average household.
  - There has been growth in the number of households and an increase in single-person households, single-parent households, and couples without children. These changes also impact on some households' capacity to meet housing costs.
- The development and urban settlement pattern of Australia, with most households located in the large capital cities.
- Financial market deregulation, lower interest rates, greater credit availability, favourable tax rulings and increased investor involvement in the market.
- Reliance on wealth creation through home ownership, and speculative demand for houses as assets rather than homes.

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<sup>21</sup> Housing NSW analysis using rental bond data from the Office of Fair Trading

<sup>22</sup> The majority of these are identified in Senate Select Committee on Housing Affordability in Australia, 2008, *Report of the Senate Select Committee on Housing Affordability in Australia - A good house is hard to find: Housing affordability in Australia*, June 2008, Commonwealth of Australia

- Taxation policies that have over-stimulated investment in second and third properties, encouraged investment in more expensive rather than affordable housing, and added to demand for owner-occupied housing – for example, exemptions from capital gains tax which make investment in home ownership more attractive than other investments.

These demand-side drivers are significant factors that are related to broader social and economic trends. The NSW Government's ability to influence housing affordability outcomes is to some degree limited by the strength of the drivers listed above.

Increased demand for housing is not a problem unless supply does not keep pace with demand. The annual shortfall in housing supply has been estimated at around 30,000 dwellings Australia-wide.<sup>23</sup> However, housing supply is not only about the numbers of properties, but also the types of properties available in terms of criteria such as affordability, location, accessibility and appropriateness of housing.

Factors that may decrease supply, or create a mismatch between supply and demand, and have contributed to housing affordability problems include the following.<sup>24</sup>

- Decreasing stock of affordable rental dwellings due to properties being upgraded or replaced by higher cost housing, or being purchased by owner-occupiers.
- Comparatively less financial gains to investors for providing housing that is affordable to low to moderate income earners, compared to providing higher cost housing. This has contributed significantly to limited diversity in terms of housing design, price and location.
- Under-occupation of properties, as well as barriers to people moving between housing types as their circumstances change.
- Increases in land prices, particularly in sought-after locations. This is exacerbated by the scarcity of land that can be developed in established metropolitan areas.
- Barriers limiting the supply of new housing lots, including inadequate infrastructure and transport links, and the costs of providing infrastructure to service new housing.
- Concentration of demand for housing in certain areas, particularly established areas with limits on further development potential.
- Increasing costs of building including the cost of skilled labour, and limited innovation from the housing industry in terms of built form and delivery mechanisms.
- Inefficient land use planning controls and other development and planning problems, including delays and costs in delivering approvals, and shortages of skilled planners. The NSW Government has introduced a number of reforms to improve the planning system, which are outlined in Part 2 of this submission.
- Competing investment opportunities and a lack of institutional investors in the rental property market.
- Poor market conditions in some locations that restrict the ability of developers to successfully bring projects to the market.
- In recent times, low confidence in the market in light of broader economic circumstances (despite low interest rates), and global restrictions on the credit available to developers.

The suitability and quality of housing is as important as the affordability of housing. Housing can be affordable, yet inadequate to the needs of households. This includes housing that is poorly maintained, overcrowded, or inaccessible to infrastructure and services. It is important

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<sup>23</sup> Senate Select Committee on Housing Affordability in Australia, 2008, op. cit.

<sup>24</sup> A number of these are identified in Senate Select Committee on Housing Affordability in Australia, 2008, op. cit.

that there is affordable housing available that can meet the needs of groups with specific housing requirements such as people with a disability or mental illness, and older people.

### **Housing affordability and the labour market**

The location of affordable housing for working households is an economic issue, as well as a social welfare issue. An efficient housing market can support business investment and economic growth. Conversely, a lack of affordable housing can have significant economic consequences, mostly arising from the link between housing and the labour market.

Processes of economic and social restructuring have resulted in large major cities such as Sydney having an increasingly differentiated market of both 'new economy' and 'old economy' jobs. The new economy (including knowledge intensive occupations such as finance and insurance, property and business services) creates demand for workers at both the high and low ends of the skills and wages spectrum – particularly in the services sector. However, declining housing affordability can result in spatial mismatch between where many of these low wage jobs are located and where lower skilled workers live. This can result in shortages and recruitment difficulties in some lower paid but functionally necessary occupations and/or higher wages to offset high housing costs or high commuting costs.<sup>25</sup>

There is evidence that an increasing proportion of affordable dwellings are either in non-metropolitan regions or in the outer regions of the larger cities. New South Wales has also experienced considerable volatility in the housing market, with prices rising rapidly in well-located areas but falling in urban fringe areas of some cities, particularly Western Sydney. This has contributed to marked social polarisation between different geographic locations in terms of income levels and housing tenure.

Where labour markets under-perform due to locational and access problems, there are implications for efficiency in the broader economy. Inefficient urban labour markets can mean that growth industries will struggle to operate optimally and resources are not allocated to their most productive uses, resulting in lower economic growth and welfare over time.<sup>26</sup>

The term 'key worker' is often used to refer to occupations considered crucial to the functioning of a community. However, there is significant variation in the types of occupations this term can cover. The term can be used to refer to a few selected public sector occupations, through to a wide range of industries or occupations across the public, private and community sectors.

For example, the United Kingdom Government's Key Worker Living Programme is targeted to specific occupations within the public sector including teachers, clinical health staff, police officers, prison and probationary services staff, publicly employed social workers, nursery nurses, psychologists and therapists, local planners, fire and rescue staff, publicly employed qualified environmental health practitioners, personal advisers under the Government's 'Connexions' support services for young people, some defence personnel, and safety-critical highway traffic officer staff<sup>27</sup>. By comparison, Melbourne Affordable Housing (a not-for-profit developer and manager of affordable rental housing) defines key workers as those workers who have employment in the inner city in lower paid jobs.<sup>28</sup>

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<sup>25</sup> Berry, M., 2006: *Housing affordability and the economy: A review of labour market impacts and policy issues*, National Research Venture 3: *Housing Affordability for Lower Income Australians – Research Paper 5*, AHURI

<sup>26</sup> Berry, M., 2006: op. cit

<sup>27</sup> Information on the UK Government's Key Worker Living Programme is available @ [http://www.direct.gov.uk/en/HomeAndCommunity/BuyingAndSellingYourHome/HomeBuyingSchemes/DG\\_4001345](http://www.direct.gov.uk/en/HomeAndCommunity/BuyingAndSellingYourHome/HomeBuyingSchemes/DG_4001345)

<sup>28</sup> Information on Melbourne Affordable Housing is available @ <http://www.mah.com.au/>

This submission includes information on the impacts of a lack of affordable housing on low to moderate income earners more generally, as well as the range of NSW Government initiatives in place aimed at improving housing affordability and the supply of low cost rental accommodation.

In New South Wales, the greatest affordability challenges appear to be faced by lower paid workers who live in inner Sydney, where housing affordability pressures affect both low and moderate income earners. In the inner ring of Sydney, 90.5% of low income households and 52% of moderate income households renting in the private market are paying more than 30% of their gross household income as housing costs.<sup>29</sup>

These workers face increasing pressure to relocate to areas where rents are lower (although not necessarily affordable), but where they would face high commuting costs if they remain employed in inner city locations.<sup>30</sup> Households living in affordable accommodation but paying higher costs in transport and other costs associated with living far from their place of work are not captured in data on housing affordability.

Where there are high commuting costs arising from spatial mismatch between jobs and workers, negative externalities can arise including increased pollution from greater reliance on car-dependent commuting or additional pressures on the public transport system. Lengthy commuting can also impact on work-life balance for individuals, including parents.

Spatial mismatch between jobs and housing may undermine efforts to promote social inclusion and workforce participation, if unemployed people are unable to access suitable jobs near to where they live.<sup>31</sup> High commuting costs associated with entry into employment may operate as a disincentive to workforce participation for some individuals, or make some forms of work impractical – such as jobs involving shift work or irregular hours.

While the inner ring of Sydney is largely unaffordable for both low and moderate income households, affordability problems decrease (particularly for moderate income households) as households get further away from the Sydney CBD.

- In the middle ring of Sydney, 79% of low income and 29% of moderate income households renting privately are paying more than 30% of their income as housing costs.
- In the outer ring of Sydney, 72% of low income and 22% of moderate income households renting privately are paying more than 30% of their income as housing costs.<sup>32</sup>

The Government places a priority on the need to improve transport and access to employment opportunities across Greater Metropolitan Sydney. The State Plan outlines the NSW Government's ongoing plans for Parramatta, Liverpool, Penrith, Gosford, Newcastle and Wollongong to increasingly become a focus for jobs and other services and facilities. The NSW Government is also encouraging economic activity in areas suited to increased housing growth through regional planning strategies.

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<sup>29</sup> Housing NSW analysis using ABS Census 2006 Data

<sup>30</sup> Berry, M., 2006, op. cit.

<sup>31</sup> Berry, M., 2006, op. cit.

<sup>32</sup> Housing NSW analysis using ABS Census 2006 Data

## Housing affordability stress for low income households

A lack of affordable housing is of particular concern in relation to low income households, because they are likely to have inadequate income remaining after they pay for their housing to meet their non-housing needs. A broad indicator that housing affordability stress may be occurring is where low income households spend more than 30% of their income on housing.<sup>33</sup> Depending on the household's circumstances, this may mean that after housing income is inadequate to meet other living costs such as food and health care.

In New South Wales, 75% of low income households renting in the private market are in housing affordability stress. Housing affordability stress for low income households is particularly high in Sydney, where the majority of people live.

- In the inner ring of Sydney, 90.5% of low income households renting privately are in housing affordability stress.
- In the middle ring of Sydney, 79% of low income households renting privately are in housing affordability stress.
- In the outer ring of Sydney, 72.5% of low income households renting privately are in housing affordability stress.
- In Newcastle, 69% of low income households renting privately are in housing affordability stress.
- In Wollongong, 74% of low income households renting privately are in housing affordability stress.<sup>34</sup>

Although greater in Sydney, housing affordability is still a significant problem for low income households in regional, rural and remote New South Wales. In New South Wales, excluding Sydney, 69% of low income households renting in the private market are in housing affordability stress. For some local areas the figure is considerably higher – for example, at over 80% in the local government areas of Ballina, Byron, and Tweed.<sup>35</sup>

The impacts of housing affordability stress on individuals and families include the following.

- Not having enough money to cover housing costs and other necessities of life. This can create stress that contributes to health problems and impacts on family relationships, including child health and safety.
- Increased probability of financial hardship which can result in households going without meals, children missing out on school activities, or having to pawn possessions.
- Risks of being stigmatised with poor credit histories because of rental arrears.
- Being forced into frequent moves.
- Making trade offs that affect access to employment, education or health services.
- Having future aspirations for ownership blocked.<sup>36</sup>

It is predicted that housing affordability stress for low income households in the private rental market is likely to markedly increase over the coming years.<sup>37</sup>

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<sup>33</sup> This is a broadly accepted definition – see Senate Select Committee on Housing Affordability in Australia, 2008, op. cit. This outlines that this measure is advocated by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs, predominant academics, non-government organisations, and a number of local governments.

<sup>34</sup> Housing NSW analysis using ABS Census 2006 data

<sup>35</sup> Housing NSW analysis using ABS Census 2006 data

<sup>36</sup> Yates, J., and Milligan, V., 2007: *Housing affordability: a 21<sup>st</sup> century problem – National Research Venture 3: Housing affordability for lower income Australians – AHURI Final Report No. 105*, AHURI

<sup>37</sup> Yates, J., and Milligan, V., 2007: op. cit.



## Impacts of the lack of low cost rental accommodation on homelessness

It is estimated that there were 27,374 homeless people in New South Wales on Census night in 2006, including 3,560 rough sleepers. The rate of homelessness in New South Wales is 42 per 10,000 of the population.<sup>38</sup> The factors that cause homelessness are complex and varied and can include mental health issues, drug and/or alcohol dependency, domestic and family violence, unemployment and family breakdown. People are particularly at risk of homelessness when exiting a range of institutions including correctional facilities (adult and juvenile), state care and mental health and other health facilities.

The linkages between the risk of homelessness and housing affordability are recognised. The availability of appropriate housing at the right time of an individual's need can be critical to combating homelessness. Recent research into effective responses to homelessness suggest that the immediate provision of long term accommodation combined with support is the most appropriate way to support homeless people, and a lack of low cost rental housing limits the options available to assist homeless people into stable long term housing solutions. A lack of affordable accommodation options and prevalence of housing affordability stress also increases the risk of homelessness for low income and vulnerable households.

Due to the diversity of factors that can cause homelessness, preventing and responding to homelessness requires a holistic response that addresses the multiple and complex needs of clients. In addition, the complexity of the causes of homelessness, and the range of government and non-government agencies involved in the homelessness system, means that joint action between the Australian Government, NSW Government and the non-government sector is required to prevent homelessness.

A key challenge for effective intervention strategies is the coordination of support services. While the provision of housing and support can be a high cost activity, this expenditure can result in cost savings to Government in other areas. Homeless people are high users of health services including ambulances, hospital emergency rooms and mental health emergency intervention teams, and are frequently in contact with the justice system. There is potential for homelessness programs to be dramatically cost-effective. If homelessness programs were able to reduce the utilisation of health and justice programs down to population rates of utilisation, the savings achieved would reduce the budget outlays in these areas and pay for the homelessness programs several times over.<sup>39</sup>

The Supported Accommodation Assistance Program (SAAP) is the key program that responds to homelessness in New South Wales. SAAP provides a continuum of services including prevention and early intervention, crisis response, transitional accommodation, and post crisis response. Private rental accommodation is the most common form of housing for people being assisted through SAAP and most SAAP clients are on low incomes. In 2007/08, nearly two-fifths of all support periods for people entering the SAAP program were provided to clients who were in private rental accommodation (including boarding houses) prior to being assisted through SAAP. Of SAAP clients requiring immediate assistance with accessing or maintaining accommodation, 32% were housed in the private rental market before being assisted by SAAP and 43% were in private rental housing following SAAP support. Additionally, a further 17% of SAAP clients seeking assistance to obtain or maintain housing were accommodated in boarding houses before being assisted by SAAP and 13% after receiving assistance. A smaller proportion of all SAAP clients obtained public housing

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<sup>38</sup> ABS, 2008: *ABS 2050.0 - Counting the Homeless: 2006*

<sup>39</sup> Flatau, P., Zaretsky, K., Brady, M., Haigh, Y., and Martin, R., 2008: *The cost-effectiveness of homelessness programs: a first assessment*, AHURI Final Report No. 119, AHURI

(13%) and community housing (5%) after assistance. The lack of sufficient affordable accommodation options impacts on the capacity of the SAAP system to exit clients from crisis accommodation, and to manage the unmet demand currently in the system. The availability of suitable low cost private rental housing is necessary to transition SAAP clients who are experiencing homelessness into affordable long term accommodation options.

Scarcity of affordable accommodation options also means that low income households may be at greater risk of homelessness. In 2007/08 a relatively small proportion of people accessing SAAP reported that they were homeless due to financial difficulties (9.5%) and evictions (5%). This partly reflects the limits of the data collection in that the 24.8% of clients who reported that they had come into SAAP because of *time out from family/other situation, relationship/family breakdown* and *interpersonal conflict* did not also have the opportunity to report that they were experiencing financial difficulties or eviction. At the same time it should be noted that while people experiencing financial problems and evictions formed a small proportion of the people assisted, they nonetheless accounted for over 11,700 SAAP support periods in 2007/08 including around 3,000 support periods for people who were evicted.

Many people impacted by homelessness in New South Wales seek assistance from SAAP. In 2007/08, SAAP provided assistance to 37,700 adult clients and 19,000 accompanying children. Frequent and high risk users of SAAP services include the following.

- Women and children affected by domestic violence. In 2007/08 domestic or family violence was the largest single reason given by SAAP clients for seeking assistance, accounting for almost a fifth of adult clients (20%) and an estimated 60% of the 19,000 accompanying children.
- Aboriginal people, who are particularly impacted by homelessness and are over-represented as users of SAAP services. In 2007/08 18% of SAAP clients were Aboriginal, and Aboriginal children accounted for over a quarter of children accompanying their parents in SAAP services.
- Chronically homeless people. In 2007/08 11% of SAAP clients accessed services three or more times in a year. Chronically homeless people are often single homeless men with issues such as mental health problems, drug and alcohol use and financial difficulties. Single homeless men make up a large proportion of those sleeping rough, as well as those living in boarding houses and often need ongoing support to manage daily living.
- Homeless young people experiencing family breakdown or domestic violence. In 2007/08 young people aged under 25 represented 32% of SAAP clients. Homeless young people are a high risk group, and often overlap with client groups for other programs including young people in statutory care and young offenders. If young people are not provided with stable accommodation and connected to education, training and employment they are at risk of homelessness as an adult.

The Temporary Accommodation program is provided by the NSW Government to assist people who are homeless and do not have support needs by providing temporary accommodation for one or a few nights in low-cost hotels, motels, caravan parks and similar accommodation. There has been an increase in the utilisation of Temporary Accommodation from 15,187 assistances in 2004/05 to 20,680 in 2006/07.

There remains a gap in the provision of low cost rental housing grouped with support services for people experiencing or at risk of homelessness, including frequent and high risk users of SAAP services. The NSW Government is developing a Homelessness Action Plan that is expected to include a focus on improving access by homeless people to long-term accommodation, with a focus on models that provide long term accommodation and support to homeless people.

## Aboriginal people's need for low cost housing

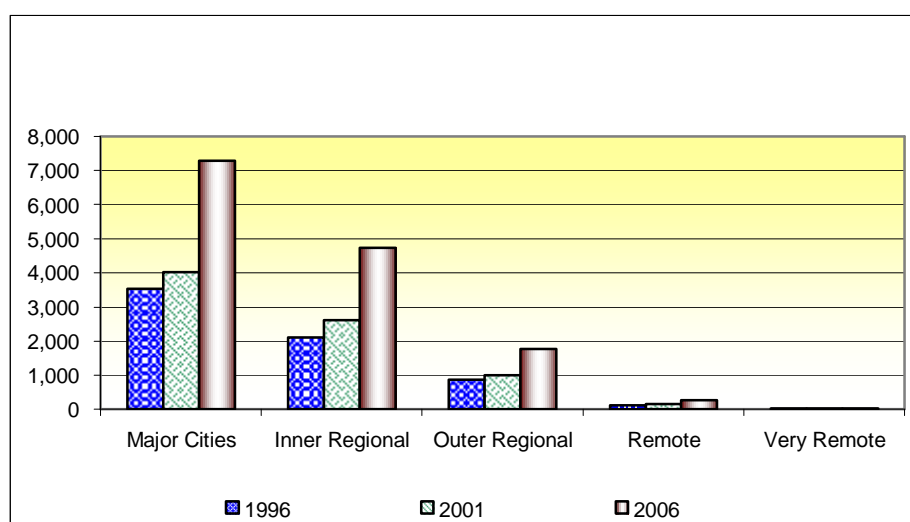
*Two Ways Together* the NSW Government's Aboriginal Affairs Plan (2003-2012) recognises housing as one of the seven priority areas in which improvements are needed in order to make sustained improvements in outcomes for Aboriginal people. Poor housing outcomes are associated with other dimensions of disadvantage. There is growing evidence that improvements in housing can promote better outcomes in areas such as health and education. In part, this is because stable, affordable housing can provide a base from which people can more predictably access services and support, and participate in the community and the economy.

Aboriginal people rely on social housing to a greater extent than the broader population. Nearly a third of Aboriginal households in New South Wales live in social housing, compared to 6% for non-Aboriginal households. Social housing includes mainstream public housing, mainstream community housing, Aboriginal Housing Office properties, and Aboriginal community housing. The relatively high proportion of Aboriginal households living in social housing reflects the socio-economic disadvantage that many Aboriginal people experience.

Aboriginal people are particularly impacted by the lack of affordable rental housing. Almost 60% of Aboriginal households live in rental accommodation, compared to just under 30% for all households in New South Wales. Aboriginal households face particular problems in the private rental market including relatively low income and lower workforce participation, the lack of affordable housing suited to larger households, and discrimination by landlords and agents. In New South Wales, 64% of low income Aboriginal households in private rental housing are in affordability stress. More than 5,000 Aboriginal households in New South Wales are experiencing overcrowding.<sup>40</sup>

The following graph shows the number of Aboriginal households in housing affordability stress in major cities, regional and remote locations.

**ABORIGINAL HOUSEHOLDS IN HOUSING AFFORDABILITY STRESS**  
Major Cities, Inner Regional, Outer Regional, Remote and Very Remote<sup>41</sup>



<sup>40</sup> ABS Census 2006 data

<sup>41</sup> ABS Census 1996, 2001 and 2006 data (special tables)

The above graph shows significant housing affordability problems for Aboriginal households in major cities and in inner and outer regional areas. Over 40% of Aboriginal people in New South Wales live in major cities, including 30% in Sydney<sup>42</sup>, while in many inner and outer regional locations Aboriginal people are comprising a steadily rising share of the population.<sup>43</sup>

The Aboriginal population in New South Wales is expected to increase to over 170,000 in 2011<sup>44</sup>, with a corresponding increase in demand for low-cost rental housing. The unmet Aboriginal social housing dwelling need across New South Wales was 4,270 dwellings in June 2008 and is expected to increase to 4,830 dwellings by 2011. The majority of this unmet need is in urban and regional locations. An estimated 3,997 dwellings were required to address unmet Aboriginal social housing dwelling need in urban and regional areas at June 2008, and this is expected to increase to 4,494 dwellings by 2011.<sup>45</sup>

### **Disadvantaged households**

There is evidence that housing markets are increasingly sorting households geographically according to income.<sup>46</sup> The process of gentrification that has occurred in some areas, combined with significant growth in housing in some low cost locations, has seen an increasing divide between high income households and low income households, as well as a correlating divide between households in terms of socio-economic factors such as employment, education levels, and health status.

Living in a location where disadvantage is concentrated can further exacerbate social and other problems experienced by individuals and households. This can also reinforce patterns of inter-generational transmission of disadvantage, particularly where households living in disadvantaged locations are under-serviced in terms of infrastructure and services provided to the broader community, or where behavioural effects and influences on children and young people have a determining impact on their future paths.

In some cases, the behavioural problems that can be associated with concentrations of high levels of disadvantage can also threaten the cohesiveness of communities. In recent times, there have been isolated incidents of significant local disturbances involving anti-social behaviour and criminal activities, in some locations with concentrations of disadvantaged households.

It is recognised that concentration of disadvantage in some public housing areas, combined with poor housing design and layout of these locations, has contributed to these social problems. The Government is actively pursuing renewal of such locations and integrating of social housing within local communities, which aims to reduce the cycle of disadvantage, help create greater opportunities, and promote social and economic participation.

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<sup>42</sup> ABS Census 2006

<sup>43</sup> Taylor, J. and Biddle, N., 2008, op. cit.

<sup>44</sup> Khalidi N., 2009: *Indigenous population projections based on the revised ABS estimates (November 2008) of the Indigenous population life expectancy*. See also *Indicative NSW Indigenous population projections 2006 to 2021*, NSW Aboriginal Housing Office, Sydney, 2008

<sup>45</sup> NSW Aboriginal Housing Office, *New South Wales Aboriginal social housing dwelling needs gap 2006 to 2011*

<sup>46</sup> Berry, M., 2006, op. cit.

## 2 NSW Government and national initiatives

The NSW Government considers housing from the perspective of both first home buyers and the most vulnerable households. The State Plan sets out some of the NSW Government's efforts and future directions to assist people into affordable and stable housing. These include ensuring housing supply meets projected demand, providing assistance for first home buyers, promoting growth in affordable housing, maintaining a strong social housing sector for the most vulnerable households, and responding to homelessness. However, there are constraints on the NSW Government's ability to respond to housing affordability issues and homelessness. Many of the main policy levers and instruments are substantially controlled by the Australian Government.

A *National Affordable Housing Agreement* has been agreed by the Australian Government and all State/Territory Governments. The agreement includes an aspirational objective that *all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation*. The agreement aims to achieve sustainable housing and social inclusion for people who are homeless, ensure people are able to rent housing that meets their needs, ensure people can purchase affordable housing, improve the efficiency of the housing market, and ensure Aboriginal people have the same housing opportunities as other Australians. In addition, a number of National Partnerships have been agreed.

- The National Partnership Agreement on the Nation Building Economic Stimulus Plan includes a social housing initiative that aims to significantly increase the supply of social housing, as part of the Australian Government's economic stimulus package. The agreement includes the building of 20,000 new social housing dwellings Australia-wide within three years, and the refurbishment of 2,500 existing social housing dwellings.
- The National Partnership Agreement on Social Housing establishes a social housing growth fund to increase the supply of social housing. The agreement aims to increase the supply of social housing and provide increased opportunities for people who are homeless or at risk of homelessness to access secure, long term accommodation.
- The National Partnership Agreement on Homelessness aims to reduce homelessness through initiatives in the areas of prevention and early intervention, breaking the cycle of homelessness, and a better connected service system.
- The National Partnership Agreement on Remote Indigenous Housing aims to improve housing amenity and reduce overcrowding and homelessness in remote Aboriginal communities. The agreement aims to ensure that safe and adequate housing is provided for Aboriginal people in remote communities.

The National Affordable Housing Agreement and National Partnership agreements provide a framework for future housing initiatives, including agreed reform directions. Following is an overview of existing NSW Government and national initiatives to improve housing affordability, increase the supply of low cost accommodation, and reduce homelessness.

### Improving housing affordability

#### *Planning initiatives*

The NSW Government seeks to ensure that the planning system enables the provision of suitable housing to meet demand. A number of initiatives are in place to ensure that the planning system works to improve housing affordability and is responsive to initiatives to deliver low-cost rental housing and alternative housing forms.

The Government has set targets for the supply of land and dwellings, to help ensure that overall housing supply is adequate to meet demand.

- In the Greater Sydney Metropolitan Region, a total of 640,000 new dwellings will be provided over 25 years to 2031, of which 445,000 will be in existing urban areas and the remaining (195,000) in greenfield locations. In line with this, 55,000 zoned and serviced lots are to be ready for development by 2009/10 in the Greater Sydney Metropolitan Region.
- In regional areas, at least 300,000 new dwellings are to be provided over 25 years to 2031, with an increased rate of infill development.

NSW Government actions over recent years have ensured that stocks of land zoned for housing are at healthy levels compared to current demand, and can respond quickly to a market upturn. The Metropolitan Development Program ensures the ongoing delivery of land for housing to the market, and has delivered significant increases to the amount of zoned and serviced land available in the Greater Sydney Metropolitan Region. In January 2007 the potential of land zoned for housing was 48,614 potential dwellings, of which 32,825 potential dwellings were zoned and serviced.

The NSW Government provides infrastructure to support new and existing housing development. The attractiveness of an area for development, and its underlying land value, increases with the provision of infrastructure. As developers capture this increase in value, infrastructure levies are charged so that developers make a contribution to infrastructure. However, recognising that high infrastructure levies can impact on housing prices, the NSW Government recently reviewed infrastructure levies to ensure their consistency with its plans to boost housing supply and affordability. In December 2008, the NSW Government announced a package of reforms to infrastructure levies which include the following.

- The cessation of development charges imposed by Sydney Water and Hunter Water.
- Refinements to the types of infrastructure recovered through a contribution, and a temporary reduction in the infrastructure contribution paid by developers to the state to 30 June 2011.
- Allowing the deferral of payment to the point of sale, to improve developers' cash flows.
- Setting a \$20,000 threshold for contributions paid by developers to local governments applying to residential dwellings, with the Minister for Planning's approval required to charge above this.

A National Housing Supply Council has been established to provide forecasts and advice to the Council of Australian Governments on the adequacy of housing and land supply to meet future needs. The National Housing Supply Council released its first State of Supply report in March 2009. All jurisdictions have also agreed to an audit of surplus government land for possible release for housing development.

The Australian Government has established a \$500 million Housing Affordability Fund to lower the cost of building new homes by addressing supply side issues relating to the length of time it takes to bring new homes to sale and the impact of infrastructure charges. \$16 million has been shortlisted for projects across New South Wales in the first round of the fund.

Providing an efficient approvals system for different types of housing is one of the key ways in which the planning system can contribute to improved housing affordability. The NSW Government has recently introduced a further range of planning reforms to cut red tape and improve the efficiency of the planning system, which include the following.

- Increasing the uptake on complying development from the current 11% to 50% of all applications over the next four years.
- Streamlining the system to reduce delays in the processing of Local Environmental Plans and produce greater certainty in the delivery of land for investment in housing.
- Improving turn-around times for Development Applications through changes to the assessment process that will result in cost savings to applicants.

The NSW Government and local councils also use land use planning controls to support the retention of existing low cost housing and to promote growth in affordable housing.

- Since 1984, State Environmental Planning Policy (SEPP) 10: *Retention of Low Cost Rental Accommodation* has operated to slow the loss of existing low cost private rental accommodation in Sydney, Newcastle and Wollongong. In recent years, the NSW Government has also been negotiating contributions towards affordable housing as a means to mitigate the loss of existing low cost rental housing.
- Since 2000, the *Environmental Planning and Assessment Act 1979* has included a specific power for the preparation of local affordable housing contributions schemes. SEPP 70: *Affordable Housing (Revised Schemes)* was introduced in 2002 to authorise affordable housing contributions schemes in Green Square, Ultimo-Pyrmont, and Willoughby. These schemes require major developments to either include affordable housing or pay a contribution towards the provision of affordable housing in the area. A similar scheme has also been established under the *Redfern-Waterloo Authority Act*.
- The NSW Government and some local councils have negotiated Voluntary Planning Agreements entailing contributions towards the provision of affordable housing.

As mentioned previously, initiatives aimed at creating more jobs closer to where low and moderate income households live are also relevant to housing affordability. The State Plan outlines the NSW Government's ongoing plans for Parramatta, Liverpool, Penrith, Gosford, Newcastle and Wollongong to increasingly become a focus for jobs and other opportunities.

### **Tax reform**

The NSW Government has implemented a series of taxation reforms to improve housing affordability for purchasers and to reduce barriers to the market supply of housing. These include the abolition of mortgage duty on owner-occupied and investment housing, and stamp duty exemptions and concessions for eligible first home buyers on properties up to \$600,000.

The Australian Government is undertaking a broad ranging review of Australia's tax system, including State/Territory Government taxes. The review is considering the objective and role of the tax-transfer system in respect of housing affordability, whether the tax system should be used to influence housing supply and demand, and what changes should be made to existing taxes/transfers to ensure the efficient use of housing stock and residential land.<sup>47</sup>

### **Assistance to households**

The main form of assistance to improve affordability outcomes for households in the private rental market is Commonwealth Rent Assistance, provided by the Australian Government to eligible income support recipients.

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<sup>47</sup> See *Australia's Future Tax System* consultation papers – [http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs\\_reports.htm](http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/pubs_reports.htm)

The NSW Government's RentStart program provides financial assistance towards a bond or rent to assist clients to establish a tenancy in the private rental market, as well as assistance with rental arrears to secure an existing tenancy. By assisting public housing eligible people into the private rental market, pressure is alleviated, in the short term, on the social housing system. In 2007/08, over \$27 million was provided by the NSW Government under the Rentstart program.

Government assistance to households entering into home ownership includes the following.

- The NSW Government provides the First Home Owners Grant to assist eligible home buyers to purchase or build their first home. From 1 July 2009 the grant, which is currently available for properties of any value, will be available for properties valued up to \$750,000.
  - The NSW Government has funded a NSW New Home Buyers Supplement of \$3,000 for eligible First Home Owners Grant recipients building a new home or buying a newly constructed home. The supplement is available for 12 months from 11 November 2008 to 10 November 2009 inclusive.
  - The Australian Government has funded a First Home Owners Boost, which provides an extra \$7,000 to buy an established home and an extra \$14,000 to build a new home or purchase a newly constructed home. This applies to contracts entered into between 14 October 2008 and 30 June 2009.
- Under First Home Plus, the NSW Government has eliminated stamp duty for first home buyers on homes valued up to \$500,000 and on vacant land up to \$300,000. Concessions on duty are provided for homes valued between \$500,000 and \$600,000 and vacant land valued between \$300,000 and \$450,000. First Home Plus One extends the exemptions and concessions on stamp duty to eligible purchasers who buy property in a shared ownership mortgage scheme.

The NSW Government also has a Mortgage Assistance Scheme which provides short term help to people experiencing temporary difficulties with their home loan repayments because of an unavoidable change in circumstances.

### **Increasing the supply of low cost accommodation**

Social housing remains a cornerstone of Government efforts to ensure the community's housing needs are met. Social housing includes the following.

- Public housing, which is provided in New South Wales by Housing NSW or the Aboriginal Housing Office. There were over 119,000 households living in public housing owned by Housing NSW in 2007-08, as well as more than 4,000 households living in public housing owned by the Aboriginal Housing Office.
- Community housing, which is provided by registered community housing providers. There were over 16,000 households living in community housing in New South Wales in 2007-08.
- Aboriginal community housing which is owned by Aboriginal housing organisations including Local Aboriginal Land Councils. There are over 4,000 Aboriginal community housing properties in New South Wales.

The NSW Government's Reshaping Public Housing reforms, introduced in 2005, targeted public housing to people on low incomes who need support services to help them live independently such as the frail elderly, homeless people and people with a disability, as well as people on low incomes who have problems accessing affordable and suitable housing in the private rental market. Community housing also focuses on those most in need, and predominantly provides accommodation to households that are eligible for public housing.



Recognising that there is also a need for more rental housing that is affordable for low to moderate income earners, the NSW Government is supporting an expanded role for the community housing sector in the provision of affordable housing for low to moderate income households. Initiatives to date include the following.

- A new community housing strategy *Planning for the Future: New directions for community housing in New South Wales 2007/08 – 2012/13*, which provides opportunities for high performing providers to expand into affordable housing provision.
- The establishment of an Affordable Housing Innovations Fund, with \$49.8 million in new funding, to kick-start investment in affordable housing.
- The establishment of a joint Australian Government and State/Territory Government National Rental Affordability Scheme (NRAS), which aims to increase the supply of affordable rental housing.

Further information on these initiatives is provided in Part 3 of this submission.

### **Improving access to housing and sustainability of tenancies**

The NSW Government, through Housing NSW, provides a comprehensive range of private rental assistance products and services to people across New South Wales. These aim to help people search for, secure and sustain a private rental tenancy, according to their level of need. The services provided include the following.

- Tenancy Facilitation which provides practical assistance to help clients apply for private rental housing. This includes assistance with compiling a rental history and references, making applications, and contacting agents and landlords.
- The RentStart program, which includes financial assistance with rental bond and rent in advance to secure a private rental tenancy, and financial assistance with rent arrears to sustain a tenancy.
- Tenancy Guarantees, which assist clients to overcome specific barriers to accessing the private rental market through a financial surety to landlords or agents of \$1000, on top of the rental bond, to cover rental arrears and/or property damage.
- The Private Rental Brokerage Service which supports homeless people with complex needs to access and sustain tenancies through Private Rental Specialists who build relationships with local agents and landlords, as well as support providers.
- Provision of longer term transitional housing and support for homeless people, to assist in developing the skills needed to live in private rental or social housing.

The NSW Government, through the Office of Fair Trading, provides information to tenants and prospective tenants about their rights, and funds community based organisations to provide financial counselling, advice and advocacy on behalf of tenants. The NSW Government is also considering a number of new initiatives to improve the sustainability of tenancies and access to private rental housing, arising from the recent review of residential tenancy laws. These include ways to encourage more long term leases in the private rental market, measures to help prevent the failure of tenancies due to rental arrears, and changes to the regulation of tenant databases.

The complexity of factors that can result in homelessness requires that support be provided to at risk clients during their tenancy, in order to stop problems from being compounded further. The Housing and Human Services Accord provides a framework to improve the planning, coordination and delivery of services to assist social housing tenants to sustain their tenancies, through partnerships between Housing NSW and other human service

agencies and non-government organisations. More information on the Housing and Human Services Accord is provided in Part 3 of this submission.

### **Reducing homelessness**

The NSW Government has demonstrated its commitment to developing effective responses to homelessness and has a range of strategies in place that provide accommodation linked to support. Further detail on these is provided in Part 3 of this submission.

The Partnership Against Homelessness (PAH) was established by the NSW Government in 1999 to provide a cross-government response to homelessness. The Partnership is a network of 12 government agencies working together to improve existing service system responses to homelessness. The aims of the Partnership are to help people who are homeless to access services, to coordinate support services and prevention approaches, and to improve access to temporary or crisis accommodation and facilitate the move to long term accommodation.

The NSW Government is developing a Homelessness Action Plan to provide the strategic policy framework to address homelessness in New South Wales. The Action Plan reflects the NSW Government and non-government sector's priorities for the next five years and identifies a range of practical actions that will contribute to the prevention and reduction of homelessness.

A key emphasis of the Action Plan is the need for inter-agency collaboration and responses that are delivered in partnership with the non-government sector. In addition, the Action Plan highlights the importance of prevention, to identify people at risk of homelessness and provide them with the necessary support to ensure that they do not become homeless. The Action Plan also focuses on the need to invest in flexible and effective responses that recognise the complexity and multitude of issues that can take place in the lives of people experiencing or at risk of homelessness. The Action Plan is due to be completed, and its implementation initiated in 2009. The Action Plan will be the vehicle for giving effect to national initiatives in New South Wales to address homelessness under the National Partnership Agreement on Homelessness.

### **3. Policies and programs to reduce homelessness and increase the availability of key worker accommodation**

#### **3.1 Models of low cost rental housing**

There are a wide variety of models of low cost rental housing to address homelessness and provide accommodation for low and moderate income households. Suppliers of low cost rental housing outside of mainstream public housing include community housing providers, Aboriginal community housing providers, not-for-profit companies, and both small and large investors. NSW Government efforts to increase the supply of affordable rental housing are focused on the community housing sector.

Models for the provision of low cost rental housing include not only these different supplier types but also a range of different approaches that can be used to promote, support or improve the delivery of low cost rental housing including different types of financing, forms of regulation, management models, housing design forms, and service delivery models.

#### **Traditional social housing, outside of public housing**

The social housing sector includes public housing, community housing, and Aboriginal community housing. An overview of the sector was provided in Part 2 of this submission. Following is some further information on community housing and Aboriginal housing.

##### ***Community housing***

Community housing refers to rental housing provided by not-for-profit organisations, traditionally for people on low incomes and people with additional needs. Recently, some providers have expanded to also develop and manage affordable rental housing for people on low to moderate incomes (discussed in more detail below). New South Wales has the largest community housing sector in Australia, and community housing accounts for over 10% of the social housing stock in New South Wales.

The NSW Government provides assistance, for the purpose of community housing, in the form of funding, land and property to over 500 organisations through Housing NSW. Over \$2.3 billion of government assets are managed by community housing organisations. Community housing organisations assisted by Housing NSW are diverse in their operations and structures. They range from specialist housing associations managing over 1,000 properties to organisations managing one property for supported housing. Currently, the sector includes the following.

- 29 housing associations, managing portfolios ranging from 50 to over 2,000 homes.
- 34 housing cooperatives, mostly managing less than 10 properties each.
- Around 150 crisis accommodation providers managing on average 5 properties.
- More than 300 small organisations, mostly managing between 1 and 30 properties.

Housing associations have general expertise as social housing landlords, as well as the capacity to specialise as required by local needs and opportunities. Housing associations provide government funded community housing to households that are eligible for public housing. While most associations have a mix of tenants, some housing associations have particular specialities. The role of the board of a housing association is vital, and often the board includes tenants and other community partners as well as skilled experts.

The NSW Government both leases properties to housing associations to manage, and subsidises the difference between market rents and tenant rents for community housing leased from the private rental market. The NSW Government also provides recurrent funding to some community housing providers to ensure operations are viable. Housing associations are required to apply the same eligibility criteria as public housing and to prioritise their applicants on the basis of housing need.

Housing cooperatives are comprised of low to moderate income tenants who invest voluntary time and effort in the management of the cooperative. The NSW Government funds the acquisition of dwellings by cooperatives, and cooperatives self-manage the dwellings and use rental income to cover running costs, upgrades, administration and training. Over 350 properties are currently managed by housing cooperatives in New South Wales. Most cooperatives manage fewer than 10 properties each. The cooperative sector is facing a number of challenges including an ageing membership, difficulty recruiting new members, ageing and inappropriate housing stock, challenges in meeting the changing needs of tenants, and the need to meet regulatory requirements for community housing providers.

Community housing is widely recognised as a responsive and flexible sector. The sector has a strong track record of housing some of the most vulnerable groups in our society. Community housing providers have links to extensive local networks of service providers through which tenants can be supported to maintain their tenancies. The NSW Government is committed to the community housing sector taking on an even greater role in the provision of housing to public housing eligible households. The NSW Government is also committed to an expanded role for the sector in the provision of affordable housing for low to moderate income households. Further information on this is provided later in this section.

### ***Aboriginal housing***

Social housing for Aboriginal people in New South Wales is made up of targeted housing, which is for the exclusive use of Aboriginal households, and non-targeted housing which is available to all eligible people but to which Aboriginal people also have access. Targeted Aboriginal housing includes both Aboriginal community housing and properties owned by the NSW Aboriginal Housing Office.

The Aboriginal community housing sector and Aboriginal Housing Office properties together house approximately 45% of all Aboriginal households living in social housing tenancies in New South Wales. The Aboriginal Housing Office owns approximately 4,300 properties for Aboriginal tenants which are managed by Housing NSW under a fee for service arrangement.

There are 230 Aboriginal community housing providers in New South Wales, owning and managing almost 4,400 properties. 60% of the sector consists of Local Aboriginal Land Councils, constituted under the *Aboriginal Land Rights Act 1983*, who own over 2,600 houses.

The Aboriginal Housing Office has an administrative and funding relationship with the Aboriginal community housing sector. Approximately two-thirds of the Aboriginal community housing sector is registered with the Aboriginal Housing Office, which monitors the performance of these providers. The Aboriginal Housing Office provides funding to registered Aboriginal community housing providers for both repairs and maintenance of existing properties and new housing supply.

Housing for Health is a repairs and maintenance program that prioritises works to maximise health benefit, which is delivered by NSW Health in partnership with the Department of Aboriginal Affairs, under the Aboriginal Communities Development Program. To date, Housing for Health has been delivered to 2081 homes in 68 communities across New South Wales. Over 44,600 items that relate directly to improving safety and health have been repaired in those homes, improving quality of life for Aboriginal people and contributing to the maintenance of the accommodation. Housing for Health has also provided a pathway for the delivery of other health-related services and initiatives to households.

Land Councils' properties include approximately 1200 dwellings on discrete communities (former Aboriginal reserves). Amendments to the Land Rights Act in 2006 gave the NSW Aboriginal Land Council new regulatory powers by which land councils will require approval from the NSW Aboriginal Land Council to operate social housing. Land Councils that are unable to demonstrate the viability of their housing services may be required to transfer management to an external agency.

The NSW Aboriginal Land Council is collaborating with the Australian Government on a \$6 million project exploring the costs and benefits of subdivision on former reserves and missions. Subdivision would enable private ownership of land, and in some cases may encourage improved use of land for housing purposes.

### **Affordable housing in the private market**

There are many different types of affordable rental housing in the private market that exist with no or little Government assistance. These include lower cost rental flats and houses, boarding houses, shop-top apartments and caravan parks. A number of these low cost housing dwellings are non-mainstream housing with shared facilities (such as caravan parks or boarding houses). Others are mainstream forms of housing such as flats and houses. Some of the affordable rental properties available are older properties that are not well-maintained. Many of the Government initiatives to promote more affordable housing aim to ensure that the housing provided is self-contained and modern.

Many of the affordable properties available in the private market are located in older suburbs that are often well located with good access to public transport and services. Therefore, there are often pressures on owners and investors to redevelop such housing or to upgrade the stock to higher priced housing. Protecting these existing sources of affordable housing in the face of market pressures, and encouraging growth in these forms of affordable housing, can be a considerable challenge.

NSW Government initiatives to improve the efficiency and affordability of the housing market utilising planning reform, outlined in Part 2 of this submission, are important strategies to increase the market supply of affordable housing.

#### ***Lower cost flats and houses***

A significant proportion of affordable housing in the private market is lower cost private rental flats and houses. However, the supply of private flats and houses that are affordable for low to moderate income households is not sufficient to meet demand. This mismatch between demand and supply is not only about the total number of affordable houses available, but also their appropriateness in terms of location, size, configuration and quality. The affordable housing initiatives outlined later in this section have been developed to fill this gap.

## **Boarding houses**

Boarding houses provide affordable accommodation for many low income people. Most residents of boarding houses are male and are on low incomes. However, boarding houses accommodate a range of people and a growing proportion of residents are women. While residents' stays can be for short periods, boarding houses provide long term accommodation for the majority of residents. Boarding houses are not suitable for all households, such as those with high support needs. A move towards the provision of self-contained units is one avenue through which boarding houses can become a more viable long term housing option.

There is evidence that many boarding house residents are satisfied with their accommodation.<sup>48</sup> Boarding houses provide an alternative to homelessness for many residents. There is evidence of increasing demand for boarding house accommodation, both from displaced residents of boarding houses that have closed and from people who had previously rented in the private sector.<sup>49</sup>

Although there are some larger boarding houses, most boarding houses are small for-profit businesses. In recent times there has been a decline in the number of boarding houses and some that remain face viability issues. Cost pressures on boarding houses include high maintenance costs due to the age of stock (some older buildings require significant expenditure to meet current building standards), growing operational costs due to the complexities of managing high needs tenants, the need to comply with regulations and standards, and the high cost of insurance. Boarding houses also do not offer an attractive investment compared to many other options for the use of land in high cost areas.

As mentioned previously, SEPP 10: *Retention of Low Cost Rental Accommodation* operates to slow the loss of existing low cost private rental accommodation in Sydney, Newcastle and Wollongong, including boarding houses. The NSW Government also offers a land tax exemption where land is used and occupied as a boarding house providing long term affordable accommodation. Local councils can take measures to seek to retain existing boarding houses and encourage the provision of new stock. For example, Waverley Council offers a rate rebate for boarding houses offering long term affordable accommodation.

Housing NSW administers a Boarding House Financial Assistance Program to support boarding house owners to undertake essential fire safety upgrades. The program provides grants of up to \$50,000 to owners and operators of boarding houses to undertake essential fire safety works. These grants improve fire safety for boarding house residents, and help retain boarding houses that provide long term low cost housing.

The Department of Ageing, Disability and Home Care (DADHC) is responsible for licensing and monitoring of boarding houses which accommodate two or more people with a disability who require supervision and support (predominantly psychiatric and/or intellectual disability)<sup>50</sup>. These facilities are known as Licensed Residential Centres. It is estimated that licensed boarding houses make up approximately 11% of all boarding houses in New South Wales. Licensed Residential Centres are subject to a set of conditions which set out minimum standards for the provision of the accommodation service.

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<sup>48</sup> A boarding house study undertaken for Housing NSW in 2007 included a resident survey which found that the majority of residents surveyed were satisfied with the quality of their accommodation.

<sup>49</sup> Davidson, A., Pibbs, P. & Cox, G., 1998: *Inner Sydney Boarding House Report*, University of Sydney

<sup>50</sup> The *Youth and Community Services Act 1973* uses the term 'handicapped persons' which is defined as 'a person who is senile, temporarily or permanently incapacitated for work, mentally ill, intellectually handicapped, physically handicapped, sensorily handicapped, chronically ill, of advanced age or suffering from any medical condition prescribed by the regulations, or any combination of those disabilities, and who requires supervision or social habilitation'.

Due to the limited level of supervision and support provided in Licensed Residential Centres, people who have high support needs are deemed ineligible for placement through the use of a screening tool. DADHC does not have a role in managing vacancies in Licensed Residential Centres outside of this screening process. DADHC funds support services under the Boarding House Reform Program for residents living in Licensed Residential Centres such as case management, advocacy, primary and secondary health care and recreation and leisure services. Personal care and community transport services funded under the Home and Community Care program are also accessible to boarding house residents.

### **Caravan parks**

Caravan parks and manufactured home estates provide housing to people who may not be able to afford other forms of private housing, or who face barriers to accessing private rental housing. The closure of caravan park accommodation or conversion of sites to tourist uses reduces the housing options available for people on low incomes. The number of caravan parks in the Sydney region has halved in the last seven years, and many regional areas have experienced similarly marked declines in supply.<sup>51</sup> The NSW Government has an Assistance Protocol for Residential Park closures, developed by the Partnership Against Homelessness, which provides a framework for cooperation between agencies in providing assistance for residential park residents displaced by a residential park closure, in order to assist them to access the services they require, and to prevent them from becoming homeless.

Planning laws allow local councils to seek to retain caravan parks. Caravan parks on private land can be protected with a special use caravan park zoning to prevent alternative residential uses. Councils can also require a social impact assessment to mitigate the impact of caravan park closures, and can negotiate voluntary planning agreements to ensure the retention of affordable housing when approving the redevelopment of a caravan park.

### **Secondary dwellings**

Secondary dwellings are typically small dwellings associated with existing dwellings without sub-division of the land or strata-titling of the buildings taking place. These secondary dwellings may be within or attached to the principal dwelling, or be a stand alone outbuilding.

Secondary dwellings can provide a stream of income for the owner and an affordable home for the occupier, and are potentially a substantial source of smaller rental homes in existing residential areas. The NSW Government provides for local councils to permit secondary dwellings in a local council land use plan. The NSW Government has recognised that greater availability of secondary dwellings would provide more inexpensive rental accommodation, and is developing a proposal to expand this form of affordable housing.

### **Community housing providers and affordable housing**

As mentioned in Part 2, the NSW Government's community housing strategy *Planning for the Future* sets out the Government's plans to support an expanded role for the sector in the provision of affordable housing for low to moderate income households. *Planning for the Future* sets a target to grow the community housing sector to 30,000 homes over ten years and commits to a range of actions across five themes: growth, diverse and flexible responses, stronger communities, capacity and confidence, and viability and sustainability.

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<sup>51</sup> St Vincent de Paul Society, 2008: *Residents at risk - Stories of 'last resort' caravan park residency in NSW* and Gurrin, N. and Squires, S., 2005: *Planning for Affordable Housing in Coastal Sea Change Communities*

The community housing sector has demonstrated strong performance, commitment and innovation. The sector has a strong track record in tenant-focused service delivery and considerable experience in housing provision.

In recognition of the potential for community housing to play a greater role in the delivery of assets within the social and affordable housing system, *Planning for the Future* outlines how the Government will assist in strengthening the sector's skills, infrastructure and service delivery to better equip the sector to take up this challenge. Key features include:

- sustainable business and subsidy models for all providers;
- networks of providers in each region offering a range of housing services;
- encouraging providers to leverage government funding to increase the amount of housing produced, including partnerships with the private sector to fund more housing;
- the growth of a number of larger providers, with the capacity to undertake their own housing development activities, and some consolidation of the sector;
- involvement of some providers in the delivery of a broader range of services, including services to private renters and home ownership schemes; and
- a continuing focus on the responsiveness of the sector to tenants' needs.

Community housing providers have been recognised as growth vehicles for the delivery of affordable housing because of their ability to optimise the yield of housing from limited Government resources. Community housing providers currently have access to a number of benefits, that public housing does not have, which allow them to deliver new housing cost effectively. In addition, there are a number of opportunities community housing providers may be able to access to further improve their ability to maximise the yield of housing within current resources.

- Community housing providers can combine Government grants with borrowings and other funding sources, including private sector investment, to build on government funding and provide more homes.
- Community housing providers can deliver production cost savings in comparison to the private and government sectors. These include foregoing developer profit margins, GST free supply (if rented at below 75% of market rents), exemption from land tax as a not for profit organisation, as well as other tax exemptions.
- Community housing providers can attract Commonwealth Rent Assistance at an optimised level for households that can not afford discounted market rents, and are able to secure a higher rental income from housing a mix of low to moderate income tenants.

### ***Community housing growth providers***

A key focus of the NSW Government's community housing strategy is developing the capacity of 'growth providers'. Growth providers are high-performing community housing providers who can develop and deliver housing directly, manage a large property portfolio, and utilise private sector funds and investment to develop affordable housing.

A range of community housing providers will continue to be supported by the NSW Government, including providers of traditional community housing with specialist roles or a strong local presence. However, growth providers will be the focus of the Government's efforts to support growth and expansion of the sector into affordable housing, including support to take on a larger-scale housing development role, and to be better equipped to borrow funds from the private sector. To date, Housing NSW has selected seven growth



providers, through competitive tender processes. The characteristics that growth providers are required to demonstrate include:

- high performance in quality service, corporate governance and financial sustainability;
- sufficient scale of operations to provide a solid foundation for growth;
- willingness to operate in areas that have a shortage of social and affordable housing;
- capacity to develop and deliver new housing supply; and
- commitment and capacity to increase housing supply through matching Government funding with contributions from other sources.

Under the NSW Government's new regulatory framework for community housing (discussed in Part 3.2), growth providers will be subject to the highest level of regulatory requirements. This reflects the greater level of resources committed by Government to these providers and the increased level of risk involved in borrowing and development activities.

### **NSW Government and national affordable housing funds**

As mentioned previously, community housing providers are well-positioned to combine Government grants with other funding sources, and savings from tax advantages, to build on government investment and provide more homes. The NSW Government developed the debt-equity funding model to facilitate community housing providers' leveraging Government funding and their assets to part-fund affordable housing projects.

#### ***Affordable Housing Innovations Fund***

A key NSW Government initiative to deliver new affordable housing through the community housing sector was the commitment of \$49.8 million in funding for an Affordable Housing Innovations Fund (AHIF), administered through Housing NSW. The Rental Bond Board contributed \$39.5 million of the AHIF funding. The Rental Bond Board holds bonds paid by residential tenants, and uses the interest earned from the investment of these bonds to fund rental advisory services and other projects that benefit the residential tenancy sector.

The AHIF includes a debt-equity scheme, to attract new resources to affordable housing projects. The debt-equity model utilises a mix of Government funding and investment from community housing providers, either in the form of debt, equity or a combination of both. In the first three rounds of AHIF funding a total of \$22.9 million has been allocated through competitive tenders to fund the purchase or development of 181 new affordable rental properties. 79 of these have been completed, 27 more are anticipated to be completed before 30 June 2009, 47 are due for completion before 30 June 2010, and the remaining 28 properties are expected to be completed by 30 June 2011. If Government had provided 100% of the funding only 80 units could have been purchased or developed. Further details of the success of the AHIF in attracting private investment and community housing sector contributions is provided in Part 3.3.

An additional \$17.3 million from the AHIF was allocated to deliver an additional 175 new affordable housing dwellings in conjunction with the joint Australian Government and State/Territory Governments' National Rental Affordability Scheme (NRAS), following its establishment. 60 of these dwellings are due for completion prior to 30 June 2009 and a further 89 are expected to be completed by 30 June 2010.

### ***National Rental Affordability Scheme***

The joint Australian Government and State/Territory Governments' National Rental Affordability Scheme (NRAS) aims to increase the supply of affordable rental dwellings nationally by up to 50,000 homes. The scheme aims to address the shortage of affordable rental housing by offering an incentive to build and rent dwellings at below market rates. The scheme will be implemented in two phases: an establishment phase which commenced in August 2008 and an expansion phase which is due to commence in July 2009.

The incentive provided through the scheme comprises a \$6,000 per annum Australian Government contribution in the form of a tax offset or grant, and a State/Territory Government contribution of at least \$2,000 per annum in the form of financial and/or in kind support. The incentive is provided annually for ten years on the condition that the dwelling is rented to eligible low and moderate income households for at least 20% below market rates.

The scheme has provided a further opportunity to attract increased private investment in affordable housing, consistent with the AHIF. The NSW Government has agreed to support the scheme in the establishment phase, and will consider further funding for the expansion phase following review of the success of the scheme in delivering new supply in New South Wales. The NSW Government contribution is provided in two forms.

- *NSW NRAS A* for not-for-profit registered community housing providers. Under NRAS A, registered community housing providers are able to access AHIF funding in combination with the NRAS incentive. AHIF funding involves an upfront contribution of up to 40% of the capital costs of the project.
- *NSW NRAS B* for all eligible organisations, including private investors, developers or aged care providers. Under NRAS B, the NSW Government is offering a payment of \$2,000 per year for eligible organisations.

Successful applicants for the first round of NRAS were announced in December 2008 and March 2009. Nationally, incentives for 3,899 dwellings were approved. In New South Wales, 1,074 dwellings have received approval. Further details of the success of NRAS in attracting private investment and community housing sector contributions is provided in Part 3.3.

Applications for the second round of NRAS recently closed.

### **NSW Government affordable housing projects**

A number of projects have already demonstrated that partnerships between governments, developers, non-profit housing providers, and private financial institutions can create successful affordable housing developments. These joint ventures use a combination of rental income, private funding, government subsidies or resources such as land, as well as contributions through the land use planning system, to fund new affordable housing.

#### ***City West Housing projects in Ultimo-Pyrmont and Green Square***

As outlined above, current NSW Government efforts to grow the supply of affordable rental housing are focused on the community housing sector. However, the NSW Government also has a specialist affordable housing provider, City West Housing, that was established in 1994 to implement an Affordable Housing Program in Ultimo/Pyrmont.

- \$50 million was provided as an Australian Government grant for the program, under the Australian Government Better Cities Program (1991-96).

- The Sydney Regional Environmental Plan (SREP) No. 26 (Amendment 4) was gazetted in 1995 to establish the funding and administrative arrangements for the program's implementation. In 2003, the SREP was extended to include the Green Square area.
- City West receives a portion of revenue from NSW Government land sales in the area and from development levies under the SREP. To date, the NSW Government has contributed over \$21 million to City West.
- City West also receives funding from the City of Sydney from development levies under the Local Environment Plan for the Ultimo/Pymont and Green Square areas.

City West provides affordable housing for households on low to moderate incomes either living or working in Ultimo/Pymont or Green Square. City West is a not-for-profit organisation that operates independently from the NSW Government. City West has two ordinary shareholders, the Minister for Housing and the NSW Treasurer, who retain ownership of the company's assets, and a number of preference shareholders representing a cross section of community, local government, and private sector organisations. Preference shares are issued to organisations with a direct interest in the development and management of affordable rental housing in the City West area.

City West is income tax exempt and GST exempt for the purposes of housing development. City West undertakes both the development role and housing provider role itself. City West utilises an income based rent policy: moderate income households pay 30% of income, low income households pay 27.5% of income, and very low income households pay 25% of income. The market rent is the maximum rent paid. City West maintains income mix targets, with moderate income households comprising 30-40% of tenants, low income households comprising 25-45% of tenants, and very low income households comprising 25-45% of tenants. The income mix improves financial viability and ensures a diverse socio-economic mix, which has both housing management and broader social benefits.

City West has produced 491 units of stock over the past twelve years and currently has 446 units in Ultimo/Pymont accommodating 850 people and 45 units in Green Square accommodating 85 people. A further 56 units are underway at Green Square.

### ***Affordable Housing Demonstration Projects***

The Centre for Affordable Housing, within Housing NSW, was established by the NSW Government to provide specialised experience in affordable housing provision, and the technical tools to assist with proposed projects. The Centre plays a facilitative role in affordable housing provision, and brings together potential partners to create opportunities for the development of new affordable housing projects. The Centre provides advice on matters including management models, financial viability, and use of the planning system.

The Centre for Affordable Housing established three affordable housing demonstration projects in 2004, with the assistance of grant funds made available from the Rental Bond Board. The demonstration projects are small-scale schemes providing housing to people on low to moderate incomes.

- The Thornleigh project involves the letting of six units of accommodation to key workers unable to afford similar accommodation on the private market. The housing is managed by North Shore Community Housing.
- The Inner West project involves the letting of twelve units of accommodation in Canterbury and Marrickville to working families in need of housing assistance. The housing is managed by St George Community Housing.

- The Liverpool project involves the letting of six units to trainees and single parents returning to the workforce. The housing is managed by Hume Community Housing.

The broad aim of the demonstration projects was to show that small affordable housing projects can be financially sustainable without the need for ongoing Government subsidies, while providing affordable rental housing to low and moderate income households in employment. The project objectives also included the following.

- To build the community housing sector's capacity to manage affordable housing.
- To test a new model for the setting of rents, based on applying a discount to the market rent. Rents were set at 74.9% of market rents. Among other objectives, this was intended to reduce the disincentives to work associated with income based rents.
- To create momentum for other affordable housing initiatives in New South Wales, and to generate a profit from the projects for investment in additional affordable rental housing.

The demonstration projects were independently evaluated in 2007. The findings from the evaluation included the following.

- That the target groups identified clearly relate to aspects of local need.
- A high level of tenant satisfaction regarding suitability and affordability of accommodation has been achieved. There has been minimal turnover of tenancies.
- The discounted rent model reflects the realities of the open market where housing costs cannot be adjusted to accommodate changes in income. The projects have succeeded in their aim of providing affordable rental housing without creating work disincentives. Some tenants have increased their income since being housed and most tenants have remained in employment during their tenancies. Rents have remained within the 30% of income affordability benchmark for most tenants.
- The projects have demonstrated that affordable housing can be viably provided at a discount on market rent and still generate a surplus for use in other projects. The projects are financially viable and substantial surpluses have accrued in each of the projects.

The initial three-year time period for the Thornleigh and Inner West projects has been extended to 30 June 2010. The five-year Liverpool project runs to mid September 2009.

### ***St Marys Affordable Housing Project***

The Affordable Housing Innovations Fund (AHIF) includes \$10.4 million which was set aside to fund the construction of affordable rental housing on a major development site at St Marys. The St Marys Development is a 15-year private development (2006-22) by St Marys Joint Development Venture: Delfin Lend Lease and St Marys Land Ltd. As part of the negotiated development agreement between the NSW Government and the development consortium, agreed in 2002, 3% of subdivided residential lots are to be provided at no cost for the NSW Government to develop as affordable housing. This is estimated to be around 150 lots. Further information is provided in Part 3.3 on the use of the planning system to facilitate this project.

The First Stage of the project is expected to deliver 70 units of accommodation. A community housing growth provider will deliver and manage the housing. The NSW Government will provide up to 70% of capital (including land value) and the growth provider will contribute at least 30% in a mix of debt and equity.

### ***Rouse Hill Regional Centre***

The Minister for Planning has engaged Landcom to manage the Rouse Hill Regional Centre development, as a joint venture with a Development Consortium formed by Lend Lease and General Property Trust. The development will result in 1650 residential dwellings, built before 2022, on land that is owned by the NSW Government. The developer will provide 3% of the land for affordable housing. A delivery agreement for the affordable housing is currently being negotiated between Housing NSW and the developer. Further information is provided in Part 3.3 on the use of the planning system to facilitate this project.

### ***Glebe Affordable Housing Partnership***

The NSW Government and the City of Sydney Council have announced a partnership for a redevelopment project in Glebe which will incorporate increased social housing, innovative affordable housing, and private housing. Under the proposal, some of Housing NSW's ageing apartment buildings located in Glebe and part of the City of Sydney's depot/cleansing facility in Glebe will be replaced with a mix of new homes suited to the needs of older people and households seeking affordable housing close to where they work. The development of private sector dwellings on adjacent sites will allow a more balanced community to emerge. The private housing will be sold on the open real estate market.

### **Models of affordable rental housing in other jurisdictions and internationally**

Following are some examples from other jurisdictions and internationally of models of affordable housing providers, successful joint ventures, and initiatives to grow the stock of low cost housing.

#### ***Brisbane Housing Company***<sup>52</sup> (Queensland, Australia)

The Queensland Department of Housing and Brisbane City Council established the Brisbane Housing Company in 2002, as an independent, not-for-profit organisation. The company's shareholders include the Queensland Government, Brisbane City Council, community housing peaks, housing and property industry peaks, and other non-government organisations.

The company currently houses approximately 1500 residents. The company's properties are primarily located in the inner and middle suburbs of Brisbane. Housing is offered to households on low incomes, with rents discounted by 25.1% of market rents. Households must be eligible for housing with the Department of Housing and also demonstrate they can afford the rent charged by the company. The rent a household can afford to pay is calculated at 30% of income plus the Commonwealth Rent Assistance the household is eligible for.

The company is structured to be tax efficient and to minimise GST. The company uses income from rents to manage and maintain its properties, and any surplus to fund expansion. Day-to-day property management is carried out by specialist tenancy organisations.

#### ***Melbourne Affordable Housing*** (Victoria, Australia)<sup>53</sup>

Melbourne Affordable Housing is a registered affordable housing association under the Victorian *Housing Act 1983*. Melbourne Affordable Housing was formed through a merger between Inner City Social Housing Co. (established by the City of Melbourne in 1999) and

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<sup>52</sup> Information taken from the Brisbane Housing Company website - <http://www.brisbanehousingcompany.com.au/>

<sup>53</sup> Information taken from the Melbourne Affordable Housing website - <http://www.melbourneaffordablehousing.com.au>

Ecumenical Community Housing (established by the Victorian Council of Churches in 1986). The Melbourne Affordable Housing company is diversifying into larger scale developments and is increasingly seeking private sector participation in housing provision.

Melbourne Affordable Housing accesses Government funding for housing developments, which is made available on the basis that the housing association brings a contribution of the project cost. Partnerships with local government, churches, community groups, and the private sector provide the land, buildings and/or finance to make up the contribution. Examples of Melbourne Affordable Housing partnership projects include the following:

- The redevelopment of an historic house – the *House of the Gentle Bunyip*.
  - The redevelopment will retain the property's original character, convert the existing property into six independent living units for low income singles, and add a further building in the rear yard to provide five one bedroom units.
  - The project cost is \$3.4 million, and the community contribution to the project is \$800,000. Community contributors include individuals who previously picketed the site and the union that previously placed a green ban on the site, as part of a protest against demolition of the building for redevelopment.
- The Merchant project, which responds to concerns from small hospitality, retail and cultural businesses that a lack of skilled staff in the area is a barrier to growth.
  - The project targets low and moderate income households who require accommodation close to their work.
  - The project involves Melbourne Affordable Housing purchasing 57 units from LendLease Developments to provide rental housing at Victoria Harbour. Other partners include the Victorian Property Fund and the National Australia Bank.

#### ***Inkerman Oasis (Victoria, Australia)***<sup>54</sup>

Inkerman Oasis is a joint venture between the City of Port Phillip and Inkerman Developments Pty Ltd to redevelop a surplus municipal depot site into a mixture of private housing and social housing. The project is a 236 unit, 3-5 level residential development. In exchange for the land provided by council, the developer is contributing 28 units of affordable housing. The project incorporates a range of passive and active sustainable development principles and aims to lift the benchmark for sustainable development in Australia.

#### ***Low Income Housing Tax Credit Program (United States of America - USA)***<sup>55</sup>

The Low Income Housing Tax Credit program is the main source of fiscal support for affordable rental development in the USA. The program allocates tax credits which are sold to investors, with the proceeds used to provide equity investment in targeted affordable housing projects.

Since the program's inception in 1986, new credits totalling more than US\$300 million each year have been allocated that have helped to build or rehabilitate 1.15 million rental units – an average of 75,000 each year. While the annual volume of credits is capped, the credits awarded each year continue for periods of ten to thirty years. Annual expenditure on the program now exceeds US\$3.5 billion. The program is credited with stimulating a significant expansion of the not-for-profit housing sector.

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<sup>54</sup> Information taken from Port Phillip Council website - <http://www.portphillip.vic.gov.au/>

<sup>55</sup> Lawson, J., & Milligan, V., 2007: *International trends in housing and policy responses – AHURI Final Report No. 110*, AHURI

### ***Housing Construction Convertible Bonds (Austria)***<sup>56</sup>

Austria directs investment towards the social housing sector via the sale of special Housing Construction Convertible Bonds by six large banks. Money raised through the sale of bonds must be invested in social housing construction. Over the last ten years, about 100,000 housing units have been financed through the bonds. The bonds are primarily purchased by low risk long term investors such as municipalities, who receive preferential tax treatment on the first 4% of returns and can declare them as an expense.

### ***Inclusionary zoning (USA and Ireland)***<sup>57</sup>

In the USA, 24 states have legislation authorising or mandating local governments to incorporate affordable housing into their land use plans. The most common technique is inclusionary zoning. Inclusionary zoning involves the setting aside of a proportion of development (or a financial equivalent) within a particular zone for affordable housing. This is often a fixed percentage requirement, such as 10% of development value or of the number of units. Contributions are generally mandated. Inclusionary zoning usually applies to new developments, above a specified threshold, but has also been extended to redevelopments in some urban areas.

In Ireland, since 2000, up to 20% of land zoned for residential developments is reserved to meet social and affordable housing needs, in accord with local authority housing plans. The requirement can be fulfilled by the transfer of land or dwellings to local authorities, cash compensation, or the provision of land/dwellings in another location. The policy secures sites for new social and affordable housing providers who otherwise may not be able to acquire land, and promotes mixed tenure residential developments.

Inclusionary zoning is used by local councils in the City of Sydney and Willoughby as a means of ensuring that affordable rental housing is provided in these high cost markets.

### ***Mixed funding for social and affordable housing (United Kingdom – UK and Canada)***<sup>58</sup>

'Mixed funding' for social and affordable housing was introduced in the UK in 1988. Housing associations, and more recently also private developers, obtain mortgage finance for part of the cost of new developments or major renovations in return for grants from the Housing Corporation and/or local authorities. Over £40 billion in private finance has been raised since 1988 for development and improvement in the sector. The mixed funding model works in tandem with the provision of land for social housing through the planning system.

Canada introduced a program of federal funding for affordable housing in 2001 for partnership programs that provide below market price housing for renters and buyers. Partner contributions typically include rent subsidies (provinces), land, cash and fee offsets (municipalities), and non-government partner equity.

### ***Withdrawal of public subsidies to housing associations (Netherlands)***<sup>59</sup>

The Netherlands historically used extensive public loans and construction subsidies to finance social housing. From the mid 1980s capital market finance was successfully introduced, underpinned by the national mortgage guarantee scheme and the widespread

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<sup>56</sup> Lawson, J., & Milligan, V., 2007: op. cit

<sup>57</sup> Lawson, J., & Milligan, V., 2007: op. cit

<sup>58</sup> Lawson, J., & Milligan, V., 2007: op. cit

<sup>59</sup> Lawson, J., & Milligan, V., 2007: op. cit

availability of housing benefit. Following withdrawal of most public subsidies in the 1990s, the large and wealthy housing association sector in the Netherlands now subsidises new investment in social housing itself, drawing on gains from asset sales and revenue surpluses.

## **NSW Government models of housing and support for homeless people**

The NSW Government has demonstrated its commitment to developing effective responses to homelessness and has a range of strategies in place that provide accommodation linked to support. Following are a number of examples of models of housing and support being implemented by the NSW Government to prevent and respond to homelessness. The examples below generally utilise social housing as long term accommodation. While some of these currently utilise only public housing, these models can also be applied in other housing tenures.

### ***Supportive housing models***

Supportive housing refers to the provision of stable and affordable housing with access to flexible and individualised support services. Supportive housing projects usually target particular client groups. Some supportive housing may be contingent on acceptance of support services or certain conditions. Supports may be provided through on-site services, outreach, or traditional support service models.

### ***NSW Housing and Human Services Accord***

The NSW Government's Housing and Human Services Accord provides an overarching framework for human service agencies – both government and non-government – to work in partnership to support the most vulnerable and disadvantaged in our community. The Accord provides an overarching framework for housing and support partnerships for the benefit of households with complex needs living in social housing.

A new service model, Shared Access, has been established to enable Housing NSW and Accord partner agencies to jointly assess the housing and support needs of clients with complex housing needs, and respond to those needs through a formal agreement to provide housing linked with support for as long as required to sustain the social housing tenancy. The Shared Access model is being trialled through a series of projects in various locations targeting different client groups. Examples of Shared Access trials include the following.

- The Liverpool/Fairfield Dual Diagnosis Shared Access Trial provides housing and support for clients exiting custody who have a demonstrated immediate housing need and a dual diagnosis (mental health issue and drug/alcohol issue). The Trial has eight places and will run for two years. The trial is a partnership between Housing NSW, Justice Health, Sydney South West Area Health Service and the Department of Corrective Services.
- The Moree Family Case Coordination Project provides an integrated multi-agency case coordination model for families affected by domestic violence. Accord signatory agencies work together to enable families who are nominated to the project to access secure accommodation, and provide clients with support through integrated case coordination.
- The Young People Leaving Care Shared Access Trial provides housing and support for young people who are leaving Out of Home Care in the Hunter to assist them to make a successful transition to independent living. The trial is a partnership between Housing NSW and the Department of Community Services with a number of NGOs involved in providing support. The trial was awarded with a Highly Commended Award as part of the 2008 NSW Premier's Public Sector Awards.
- The Young People with a Disability Leaving Care Share Access Trial is a statewide agreement between Housing NSW and the Department of Ageing, Disability and Home



Care to assist young people with a disability who are leaving the care of the Department of Community Services to enter independent living with support. The trial commenced in March 2009 and is expected to assist up to 40 clients a year over the next three years.

- The Dillwynia Female Ex-Prisoners Shared Access Trial provides housing and support for women exiting Dillwynia Correctional Facility in outer Western Sydney. The trial aims to provide integrated case management and increased training, educational and employment opportunities to reduce the incidence of re-offending. The trial is a partnership between Housing NSW and the Department of Corrective Services with support services provided by Wesley Mission Employment. The success of the trial was recognised through a Gold Award as part of the 2008 NSW Premier's Public Sector Awards. While the trial period is now complete, the partnership is continuing.

### *Housing and Accommodation Support Initiative*

The Housing and Accommodation Support Initiative (HASI) is an innovative partnership established in 2003 between NSW Health, Housing NSW and the non-government organisation sector. HASI provides stable and secure accommodation linked to support services (accommodation support and clinical care and rehabilitation) for people with a mental illness or disorder and a range of levels of psychiatric disability. The HASI model has been developed in stages and provides a continuum of support from low level outreach to high support services. HASI currently assists over 1000 people across New South Wales. This includes over 300 people housed in community housing properties and just under 500 people housed in public housing properties. The majority of the program's high support places are provided to people housed in community housing properties. NSW Health and Housing NSW jointly won the 2006 NSW Premier's Public Sector Gold Award in the Service Delivery category for the implementation of the HASI program.

HASI is designed to assist people with mental health problems and disorders requiring accommodation support to participate in the community and recover from mental illness. The Social Policy Research Centre at the University of Sydney undertook a two-year longitudinal evaluation of HASI Stage One, which provided 100 high support places. The evaluation revealed that the program is successful in providing a stable, consistent and integrated hospital to community care system. The evaluation's findings include the following.

- HASI achieves its objective of providing secure, affordable housing with 85% of all participants remaining with the same housing provider.
- HASI results in people having increased community participation. 94% of participants had established friendships, 73% of participants were participating in social and community activities, and 43% of participants were working and/or studying.
- HASI is helping to reduce the need for hospitalisation, both in terms of frequency and duration. Hospitalisation rates were reduced for 84% of participants, and time spent in hospital and emergency departments decreased by 81%.<sup>60</sup>

Housing NSW, NSW Health, the Aboriginal Housing Office, and a range of other stakeholders are currently working in partnership to develop a model of HASI to more effectively respond to the needs of Aboriginal communities. The model will focus on a more holistic approach that will reflect the complex, often inter-related needs of the individual and their support networks which include their family and community. Additional partners (for example, Aboriginal Medical Services) will be involved in the model to ensure that service delivery is culturally appropriate. This stage of HASI will be rolled out in two phases. The first phase will involve consultation with key stakeholders and review of existing service delivery

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<sup>60</sup> Social Policy Research Centre, 2007: *Stage 1 Evaluation Report, Housing and Accommodation Support Initiative (HASI)*

models, and the delivery of two pilot projects in Lismore and Blacktown in 2009 to assist in developing the model. Phase two will involve a statewide rollout of this new model of HASI.

#### *Joint Guarantee of Service*

The Joint Guarantee of Service (JGOS) coordinates delivery of services to people with mental health problems and disorders living in or applying for public, Aboriginal or community housing. JGOS is a partnership between NSW Health, the Aboriginal Health and Medical Research Council of NSW, the Department of Community Services, Housing NSW, the Aboriginal Housing Office, and the non-government sector. Under JGOS, committees are established to bring together key service providers at a local level, to work collaboratively to develop strategies that address the housing and support needs of people with mental health problems and disorders living in or applying for social housing. By actively participating in a local JGOS committee, agencies are able to strengthen networks, advocate more effectively for consumers, facilitate better service collaboration, and promote good practice.

#### *The Port Jackson Supported Housing Program*

The Port Jackson Supported Housing Program provides supportive housing to priority groups who are at risk of homelessness and who require support to achieve a sustainable tenancy. The program comprises 211 properties, and involves 24 support providers. Housing management is provided by St George Community Housing. The focus of the program is to provide supportive housing for eligible people whose needs are not adequately met through existing housing options including public housing, mainstream community housing, temporary supported accommodation and private rental. The program was evaluated in 2007 and was found to be supporting vulnerable people with complex needs to sustain tenancies and improve capacity for independent living.

#### *Staying Home Leaving Violence Program*

Housing affordability has particular implications for women and children fleeing domestic violence. A capacity to afford to relocate can have a significant impact on a women's decision to leave a violent relationship. Frequently women have to compromise their own and their children's safety because they simply cannot afford to rent another home.

The Staying Home Leaving Violence Program is a domestic violence intervention program that aims to increase victims' safety and prevent homelessness by providing tailored strategies to enable women who have experienced domestic violence to remain safely in their own homes with the violent partner excluded. The program is based on a 2004 research report<sup>61</sup> published by the Australian Domestic and Family Violence Clearinghouse, which was funded by the Department of Community Services. A Bega Staying Home Leaving Violence Pilot, funded by the Department of Community Services and auspiced and managed by the Bega Women's Refuge, commenced in October 2004. A pilot in Eastern Sydney, managed by Housing NSW and funded by the Department of Community Services, commenced in May 2005. The project receives referrals from Police, Women's Domestic Violence Court Assistance Schemes and other women's, children's and health services. The service includes risk assessment, safety planning, court support and casework, and advocacy to address barriers to staying in the home.

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<sup>61</sup> Edwards, R., 2004, *Staying Home Leaving Violence: Promoting Choices for Women Leaving Abusive Partners*, Australian Domestic and Family Violence Clearinghouse, Sydney

An evaluation of the Eastern Sydney pilot project has shown that two thirds of clients accessing the program were able to remain in their own home with the violent perpetrator excluded. A majority of clients accessing the program demonstrated stability in employment and in their children's schooling and childcare. There was a reduction in breaches of Apprehended Violence Orders during the support period and, where breaches did occur, women were able to use the safety plans developed through the program.

The NSW Government has funded the roll out of the Staying Home Leaving Violence program, to be coordinated by the Department of Community Services, to a total of 18 sites.

#### *Live 'N' Learn Miller Campus*

The Live 'N' Learn Miller Campus has been in operation since 2003. The campus is funded by the NSW Government and provides accommodation and life-skills and training opportunities for young people aged 16-25 with low support needs who are in vulnerable housing situations. The program aims to prevent a number of possible negative outcomes for young people including school drop out, poor mental health and criminal activity. Evidence collected from a review of this program indicates that it has helped to stop young people from dropping out of education and becoming homeless. There are also emerging positive outcomes reported in terms of the life skills, social interaction and improved emotional robustness of the young people.

The Housing NSW property comprises a block of 30 self-contained bed-sitter units. The Campus has the capacity to house 28 young people (2 apartments are reserved for caretaking staff). One of the key features of the program is the provision of secure accommodation that gives clients the opportunity for independent living. Once this has been achieved, residents are able to concentrate on their education and training needs, with a focus on goals outlined in an action plan agreed with Campus Management.

#### *Housing First / 'Street to Home' approaches*

The key principle of the Housing First model is the provision of long term stable housing as a first step to addressing homelessness. As part of this model, homeless clients are moved directly from the streets into stable, long term accommodation and provided with structured multi-agency support to promote their capacity to live independently.

The Housing First approach is different to other homelessness responses that utilise a 'pathways' approach, starting with a crisis response through to transitional responses and then long term housing. With a Housing First approach, access to long term housing is made as simple as possible, with minimal barriers. While the upfront costs of providing access to permanent housing may be greater, the Housing First approach has been shown to reduce the personal and financial costs associated with long term homelessness and repeat episodes of homelessness.<sup>62</sup>

The following are some NSW Government projects based on the Housing First model.

- *A Place to Call Home* is a joint initiative of the Australian and State/Territory Governments that aims to halve the number of homeless people turned away from shelters each year and lead to improved success in reintegrating people within the broader community. The project involves homeless people moving directly into permanent housing, the key underpinning of the Housing First model. Tenancy and other

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<sup>62</sup> Homelessness Research Project, Stage 2 Final Report, City of Melbourne, December 2008 - <http://www.melbourne.vic.gov.au/rsrc/communitydb/HomeslessnessResearchProjectStageTwoFeb08.DOC>

support services are provided for 12 months to help address the issues that led to homelessness. Tenants are able to remain in their home at the end of the support period, as dwellings are transferred to the public housing pool.

- The Australian Government has committed \$150 million to this initiative to provide 600 new homes linked with support nationally for people experiencing homelessness over the next five years.
  - In New South Wales the Australian Government is providing \$38.8 million of funding and the NSW Government is providing \$38.8 million in matching funding, to provide 155 new homes for the homeless, with support services.
- *My Place* targets homeless people in inner city Sydney who alternate between sleeping in public places, and short stays in temporary accommodation. Through the provision of support services, the initiative assists homeless people to transition from street or crisis accommodation into independent living. Housing NSW has allocated 60 units of accommodation to three community housing providers for the program. An evaluation of the program found that 90% of clients have succeeded in sustaining a tenancy.
- The *Homelessness Intervention Project* targets chronically homeless people by linking them to housing and support. The project is a partnership between Housing NSW, the Department of Community Services, and NSW Health and comprises two initiatives.
  - The Homelessness Intervention Team in inner Sydney is a six month project aimed at urgently housing and supporting 20 chronically homeless people.
  - The Nepean Youth Homelessness Project is a twelve month project which aims to house and support 10 homeless young people and prevent young people with high needs from rough sleeping and chronic homelessness.
- The *Inner Sydney Chronic Homelessness and Complex Needs Coordination Project* is an initiative of the Inner City Homelessness Action Plan Phase 2. The project targets chronically homeless people with complex needs who have used a range of services over a number of years without being able to gain any real change in their circumstances. This is a collaborative project between the City of Sydney and the Department of Community Services. The project has two streams to assist the chronically homeless to exit homelessness.
  - The Housing First component, which is a Shared Access trial under the Housing and Human Services Accord, is based on the proven straight to housing model. 30 properties are committed to Housing First.
  - The Care Coordination stream brings together support agencies in a collaborative approach to assist clients to sustain their tenancies.
- The Allawah Housing and Support Pilot provides culturally appropriate housing and support for Aboriginal people with co-existing mental health and substance dependency issues (dual diagnosis) in the inner city of Sydney. The project provides secure, affordable long term community housing along with the support services needed to successfully sustain a tenancy. The pilot has been developed and implemented by Housing NSW in partnership with the Sydney South West Area Health Service, including the Aboriginal Mental Health Unit and Drug Health Services, the Inner City Homelessness Outreach and Support Service, St George Community Housing and the Aboriginal Medical Service (AMS) Redfern.

### ***Outreach, crisis intervention and support services***

#### *Supported Accommodation Assistance Program*

The Supported Accommodation Assistance Program (SAAP) is administered by the Department of Community Services in New South Wales and is the key safety net program that responds to homelessness.

SAAP began in the 1980s as an emergency accommodation program but over the last decade has undertaken significant reform to move increasingly towards prevention, early intervention and post-crisis support to prevent people at risk from becoming homeless. SAAP currently provides a continuum of services comprising 17% prevention/early intervention, 40% crisis response, 25% transitional accommodation, and 16% post-crisis support.

In 2007/08, only 40% of support periods provided to SAAP's 37,700 adult clients, and 36% provided to the 19,000 accompanying children, involved accommodation. The remaining 60% of support periods provided by SAAP comprise a range of prevention, early intervention and post-crisis supports across the service system to clients who are not accommodated in SAAP.

In 2008/09, 392 SAAP projects in New South Wales, with total funding of \$127.2 million, provided a range of assistance including:

- crisis and transitional accommodation;
- assistance to access income support and longer term housing options;
- specialist family, domestic violence and sexual assault counselling and support;
- drug, alcohol and problem gambling support and intervention;
- financial and employment counselling; and
- skills development and living skills and personal development.

In 2008/09 over one third of SAAP resources (35%) were dedicated to young people under 25 years of age and almost 30% to services for women and children affected by domestic violence. Remaining resources targeted single men, single women and families, with approximately 13% dedicated to services that have multiple target groups.

More than 25% of SAAP resources are dedicated to rural and remote services, and over 15% to services in regional areas. Remaining resources (almost 60%) are allocated to services in the Sydney Metropolitan area, although over 15% of these resources are used to provide services that support clients across the whole of New South Wales.

As a result of SAAP reform and the focus on prevention, early intervention and post-crisis supports, SAAP services have a much wider impact on homeless people than is reflected in the *Counting the Homeless 2006* Census report, which only includes people who were *accommodated* in SAAP services.<sup>63</sup> The Census report indicates that 19% of the estimated 27,500 people who were homeless on census night in New South Wales were in SAAP accommodation. However, in 2006/07 48% of New South Wales SAAP clients were receiving accommodation. This indicates that SAAP services were also assisting other groups of homeless people identified through the Census including the 40% of homeless people staying with friends/relatives, rough sleepers (13%), and people living in boarding houses (28%).

While further analysis needs to be undertaken, data on SAAP service provision collected by the Australian Institute of Health and Welfare indicates that SAAP services may be supporting well over a third of the people who are homeless in New South Wales each night.

The following table provides data on the main reasons for seeking SAAP assistance, by client group, in 2007-08.

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<sup>63</sup> See ABS, 2008: *ABS 2050.0 - Counting the Homeless: 2006*

**SAAP SUPPORT PERIODS: MAIN REASON FOR SEEKING ASSISTANCE**  
By client group, New South Wales, 2007–08 (per cent)

Main reason for seeking assistance	Male alone under 25	Male alone 25+	Female alone under 25	Female alone 25+	Couple no children	Couple with children	Male with children	Female with children	Other	Total
Time out from family/ other situation	13.2	5.2	12.8	10.5	8.9	5.3	5.3	7.7	9.6	9.1
Relationship/ family breakdown	21.2	5.6	24.4	6.9	13.6	8.9	17.5	9.7	15.0	12.4
Interpersonal conflict	5.0	2.5	5.1	2.8	2.5	2.7	3.3	2.3	3.9	3.3
Sexual/ physical/ emotional abuse	1.4	0.7	3.8	3.4	1.7	2.4	0.8	2.7	5.1	2.2
Domestic/family violence	3.4	1.1	14.4	40.4	6.6	10.0	10.8	50.3	19.0	19.9
Financial difficulty <sup>64</sup>	7.7	13.2	8.4	8.1	15.9	17.3	11.8	5.9	4.8	9.5
Overcrowding issues	2.1	0.6	2.7	0.6	12.1	10.9	10.4	4.3	3.9	2.5
Eviction/asked to leave	7.2	3.5	5.0	2.6	10.1	17.1	13.1	5.1	5.6	5.0
Emergency/ previous accommodation ended	9.6	9.3	8.1	4.0	10.6	10.2	10.8	4.9	6.7	7.5
Mental health issues/ psychiatric illness	2.8	7.2	1.3	3.9	1.3	1.2	0.8	0.6	1.7	3.4
Problematic drug/ alcohol/ substance use	6.3	34.5	2.6	7.1	2.9	2.1	1.3	0.9	3.3	12.3
Other health issues	0.3	1.5	0.6	0.9	1.2	1.1	2.2	0.6	3.1	0.9
Recent arrival to area with no means of support/itinerant	5.1	8.3	3.4	3.2	6.8	5.4	4.4	1.9	8.2	4.8
Other reasons <sup>65</sup>	14.8	6.8	7.2	5.6	5.6	5.4	7.6	3.1	10.2	7.1
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
<b>Total (row %)</b>	<b>14.8</b>	<b>27.3</b>	<b>16.7</b>	<b>16.4</b>	<b>2.3</b>	<b>2.6</b>	<b>0.8</b>	<b>18.8</b>	<b>0.3</b>	<b>100.0</b>
<b>Total (number)</b>	<b>9,000</b>	<b>16,500</b>	<b>10,000</b>	<b>9,900</b>	<b>1,400</b>	<b>1,600</b>	<b>500</b>	<b>11,400</b>	<b>200</b>	<b>60,300</b>

*Temporary Accommodation program*

The Temporary Accommodation program is provided by Housing NSW to assist homeless persons and people in housing crisis by providing temporary accommodation in low-cost hotels, motels, caravan parks and similar accommodation. Accommodation is provided for one, or a small number of nights. The number of assistances increased from 15,187 in 2004/05 to 20,680 in 2006/07.

<sup>64</sup> 'Financial difficulty' includes the categories of 'Gambling', 'Budgeting problems', 'Rent too high' and 'Other financial difficulty'.

<sup>65</sup> 'Other reasons' includes the categories of 'Gay/lesbian/transgender issues', 'Recently left institution' and 'Other'.

The Temporary Accommodation program is also used to complement other private rental assistance programs, included those outlined in Part 2 of this submission such as Tenancy Facilitation, Tenancy Guarantees and the Private Rental Brokerage Service.

#### *Inner City Homelessness Outreach and Support Service*

The Inner City Homelessness Outreach and Support Service (ICHOSS) was set up in January 2006 to provide outreach and support services to rough sleepers in the inner city of Sydney. ICHOSS is jointly funded by Housing NSW and the City of Sydney, and is delivered by a consortium consisting of The Haymarket Foundation and Mission Australia. The Department of Community Services contributes funding for the brokerage aspect of ICHOSS.

ICHOSS directly provides homeless people on the streets with a range of support to meet their individual needs. The aim of the service is to provide outreach and support services and facilitate access to crisis and longer-term accommodation. The service operates seven days a week and comprises:

- an outreach team, which mainly focuses on 'rough sleepers', which assesses clients' basic needs and makes referrals to assist clients to access appropriate support agencies;
- a support team which provides services to clients who are ready to receive ongoing support and accommodation; and
- a specialist team that provides medical, drug and alcohol support services through the Haymarket Foundation.

ICHOSS was evaluated in 2008 and was found to have provided outreach services to 349 clients and intensive support services to 367 clients since beginning operation from January 2006 – July 2008. The average number of referrals to the ICHOSS outreach team is 30 per month.

#### *Signpost Hunter Homelessness Assessment and Referral Service*

The Signpost Hunter Homelessness Assessment and Referral Service pilot is a key initiative of the Partnership Against Homelessness and is jointly funded by Housing NSW and the Department of Community Services. The pilot was established in 2003 as a first point of contact for homeless men and women in the Hunter region to access assistance. The Signpost provides homeless people with immediate assistance, including low cost accommodation, as well as referrals and longer term case management. The service has been expanded to strengthen its early intervention work and to encourage joint case management through strong partnerships with local housing and SAAP providers. The Signpost received 231 referrals from June 2006 – July 2007 and provided intensive case management to 54 people.

A broader homelessness project This Way Home is being developed in the Hunter by Housing NSW in partnership with a number of agencies, including Newcastle City Council. The Signpost pilot will be built upon to form the key referral and intake point for This Way Home.

#### *Orana Far West Safe Houses Project*

The Department of Community Services and Housing NSW are trialling an innovative project in the Orana Far West region of New South Wales that aims to improve service provision to Aboriginal women and children in isolated communities affected by domestic and family

violence. The Orana Far West Safe Houses Project links intensive supports for Aboriginal women and children with access to safe and affordable accommodation.

The project has been developed around five existing Women's Safe Houses operating in the five Orana Far West communities. The project includes the following.

- The establishment of child and family linkages worker positions in each of the Safe Houses, and resources to enable each Safe House to implement improvements in organisational governance, service delivery and service integration.
- New crisis accommodation to support the operations of the Safe Houses with short term housing for clients until they are able to access a safe, long term housing option.
- The transition of families from the Safe Houses into longer term affordable housing, including social housing where eligible. Five formal operating agreements will be developed under the Housing and Human Services Accord to assist eligible clients to sustain a social housing tenancy when they exit a safe house.

#### *Kings Cross Youth at Risk Project*

The Kings Cross Youth at Risk Project is led by South Eastern Sydney and Illawarra Area Health Service, with Housing NSW as a partner. The project targets at-risk young people aged 12-25. The program combines outreach, case-management and brokerage funding to provide eligible at risk young people with tailored support packages aimed at breaking their street-based lifestyle. Since 2005, over 800 young people have been assisted.

#### *Homelessness Brokerage Program*

The Homelessness Brokerage Program is jointly funded by the City of Sydney and Housing NSW and auspiced by the YWCA. The program provides flexible support to people with low to moderate needs who are homeless or at risk of homelessness. The service aims to secure long term accommodation and, where necessary, link people to support services to enable them to live independently. An evaluation undertaken in 2007 demonstrated that the program can actively prevent enduring homelessness for people with low to moderate needs and in 2006/2007 provided assistance to 1,696 people.

#### *Edel Quinn Homeless Men's Shelter*

Edel Quinn Homeless Men's Shelter in Wagga Wagga was established in 1965 by the Society of St Vincent de Paul. The shelter used to accommodate up to 40 men but lacked the capacity to support the men after they left the Shelter. Following a review in 2003, the shelter changed its service delivery model by expanding the range of exit options available to its clients. In doing this, the service has reduced the number of crisis beds but still meets the needs of homeless men within the district. The shelter's strategies included the following.

- Expanding the range of housing options through partnerships with housing providers (Housing NSW, community housing providers and private agents and landlords).
- Providing all clients with a clear and achievable case plan, and improving linkages with other community agencies to expand the assistance available to clients.
- Accessing Housing NSW's Rentstart program and Private Rental Brokerage Scheme.

Edel Quinn Shelter has evolved into two separate and distinct programs: a short term crisis accommodation support service with a capacity of 13 clients and a long term outreach support service currently assisting 19 clients.



## **Models of housing and support for homeless people in other jurisdictions and internationally**

Following are some examples of innovative models of housing and support for homeless people developed in other jurisdictions and internationally. Some information on the consideration of these models in New South Wales is also provided.

### ***Common Ground (USA)***<sup>66</sup>

Common Ground originated in New York in 1990, and involves the conversion of vacant buildings into permanent and affordable supported housing for chronically homeless people. Common Ground's apartments are linked to the services people need to maintain their housing, restore their health, and regain their economic independence. Common Ground has created more than 2,000 units of permanent and transitional housing in New York City, Connecticut, and New York, which has enabled more than 4,000 individuals to overcome homelessness. Common Ground's Street to Home program has been highly successful, reducing street homelessness by 87% in the 20-block Times Square neighbourhood, and by 43% in the surrounding 230 blocks of West Midtown. The program has demonstrated good client outcomes as well as significant economic benefits. In contrast to the annual cost of between \$23,000 and \$36,000 per person to operate a New York City homelessness shelter, the Common Ground approach costs approximately \$11,400 annually per client.

The Common Ground model has been taken up in Adelaide and Melbourne. Work is also underway to establish a Common Ground facility in Sydney through a partnership that utilises the resources of business, government, NGOs and philanthropy. The key partner agencies include the Mercy Foundation, Housing NSW, local government, and a range of business and non government organisations. The project aims to convert a building in Sydney into purpose built permanent supported housing. The project will help people living on the streets to move directly into this social housing, and provide services to help them get back on their feet and participate in their own rehabilitation. The project will target people who are long term and chronically homeless and/or are least likely to access housing resources. These individuals typically spend years cycling between emergency shelters, hospitals, and gaols.

### ***Pathways to housing (USA)***<sup>67</sup>

The Pathways to Housing model is based on the premise that homeless people should be housed in permanent accommodation as a first priority, and that homeless people will require long term support to sustain their tenancies. This is similar to the Housing First model described in the previous section.

The Pathways to Housing model emphasises the importance of consumer choice, on the basis that clients who are given a choice of housing options report greater housing satisfaction, improved housing stability, and greater psychological well-being. While accepting that housing options for homeless people would generally be in low cost neighbourhoods, it is emphasised that a particular type of housing (eg single person studios or multiple occupancy units) should not be prescribed in advance. The same principle of consumer choice applies to the provision of support services. While it is a requirement that homeless people entering supported housing programs agree to a minimum support

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<sup>66</sup> See the Common Ground website – <http://www.commonground.org>

<sup>67</sup> See the Pathways to Housing website - <http://www.pathwaystohousing.org/>

arrangement, the Pathways to Housing approach involves allowing homeless people to determine the type and intensity of services they receive.

### ***The Foyer Model (Europe)***<sup>68</sup>

The Foyer Model is a supported housing model that assists young people aged 16-25 with low to mid-range support needs. The model offers a holistic approach to the problems faced by young people. By providing a complete package of accommodation, personal support, and access to training and employment opportunities, young people are empowered to make positive decisions and choices about their lives and are able to maximise their chances of breaking the cycle of homelessness and unemployment.<sup>69</sup> The Live 'N' Learn Miller Campus in western Sydney, outlined in the previous section, was Australia's first Foyer.

One of the key elements of the Foyer Model is that it encourages community and business participation. Foyers are guided by local management comprising members of the public, elected representatives, business people and professionals. Opportunities for corporations and local business to support a Foyer are varied. For example local businesses donate funding, volunteers for mentoring, material items and resources such as training packages, and also provide opportunities for employment within their workplace.

The Australian Government's White Paper on Homelessness *The Road Home – A National Approach to Reducing Homelessness* includes discussion of the Foyer model. The White Paper comments that more supportive housing models that provide accommodation that is connected to education, training and employment need to be established to target young people who are homeless.<sup>70</sup>

### ***Young People Leaving Care Housing and Support Initiative (Victoria, Australia)***

The Victorian Department of Human Services' Young People Leaving Care Housing and Support Initiative targets young people transitioning from state care who are at risk of homelessness. The program includes case management, access to long term housing, links to community supports and employment and training options. The initiative has demonstrated good outcomes with the majority of young people (80%) in the program assisted to live independently and diverted from homelessness, and a high proportion (89%) linked to education, employment or training options.<sup>71</sup> In New South Wales, the Young People Leaving Out of Home Care Shared Access Trial under the Housing and Human Services Accord is similar to this project.

### ***Wintringham (Victoria, Australia)***

*Wintringham* was established in 1989 as an independent not-for-profit welfare service to provide affordable housing and support services to frail, elderly homeless men and women in Melbourne. The service currently assists approximately 800 aged people. *Wintringham* provides a range of services including low and high care residential homes, community care packages, Government funded support packages, a range of housing services and options, street based outreach work, and advocacy services.<sup>72</sup> *Wintringham* receives funding from the Australian Government Department of Health and Ageing, and has been lobbying the

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<sup>68</sup> See the Foyer Federation website – <http://www.foyer.net/mpn/>

<sup>69</sup> Randolph, B., and Wood, H., 2005: *An interim evaluation of the Miller Live 'N' Learn Campus*, AHURI Final Report No. 84, AHURI

<sup>70</sup> *The Road Home: A National Approach to Reducing Homelessness*, Commonwealth of Australia, 2008, Canberra

<sup>71</sup> Thomson Goodall Associates *YHAP State 1 Summary Report, Evaluation of the Youth Homelessness Action Plan Stage 1*, Victorian Government (Department of Human Services)

<sup>72</sup> Information taken from the *Wintringham* website - [www.wintringham.org.au](http://www.wintringham.org.au)

Australian Government in relation to the difficulties of matching Australian Government funding for aged care with the needs of homeless people.

### ***CRASH – construction and property industries' charity for homeless people (UK)***

CRASH was initiated in London 15 years ago. CRASH harnesses the skills, products, and goodwill of professionals and companies from the construction and property industries to improve buildings and premises for voluntary agencies working with homeless people throughout the UK. The program has contributed to the UK homelessness sector's capacity to house 20,000 homeless persons each night.

Construction Industry Relief and Assistance for Sydney's Homeless (CRASH) Sydney is a charitable research project modelled on UK CRASH, associated with the University of Sydney's Ian Buchan Fell Housing Research Centre. CRASH Sydney was launched in 2002 providing accommodation in the unused Waverley Woollahra Waste Management Facility in Green Square. The pilot project targeted homeless persons aged between 18 and 25 without medical support needs, to take up no-cost property leaseholds and undertake caretaker training, while fitting out their own spaces with assistance from architects and builders.

### ***Outreach programs***

Following are some examples of effective assertive outreach models in other jurisdictions and internationally.

- The Street to Home Service was established by the South Australian Government's Social Inclusion Board. Street to Home supports individuals to make the transition from homelessness into stable housing. The program identifies the most appropriate long term accommodation option and provides support until the client is stabilised in their accommodation or another agency has assumed a primary support role.<sup>73</sup>
- The Homeless Outreach Program (Canada), run by British Columbia Housing, connects homeless people to housing, income assistance, and community-based social and health services. Since the program was launched, more than 4,600 people living on the street in 48 communities across the province have found housing as a result of the program.<sup>74</sup>
- Homeless Connect is a one-stop-shop which was developed in San Francisco in 2004 and is now being implemented in over 130 cities. Brisbane City Council piloted Homeless Connect in November 2006, bringing together the council, Queensland Government, businesses and community groups to provide free services to homeless people for a day. Volunteers assisted homeless people to connect with service providers offering assistance with housing, medical issues, legal issues, addiction issues, electoral enrolment and other services. Brisbane has now scheduled two of these events a year.<sup>75</sup>

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<sup>73</sup> Information taken from the Adelaide Thinkers in Residence website – [http://www.thinkers.sa.gov.au/images/Haggerty\\_StreettoHome%20Info.pdf](http://www.thinkers.sa.gov.au/images/Haggerty_StreettoHome%20Info.pdf)

<sup>74</sup> Information taken from the British Columbia Housing website – [http://www.bchousing.org/programs/Homeless\\_Outreach\\_Program#Program\\_overview](http://www.bchousing.org/programs/Homeless_Outreach_Program#Program_overview)

<sup>75</sup> Information taken from the Brisbane City Council website - [http://www.brisbane.qld.gov.au/BCC:BASE::pc=PC\\_2557](http://www.brisbane.qld.gov.au/BCC:BASE::pc=PC_2557)

### **3.2 Methods of fast tracking the capacity of providers to deliver low-cost rental housing in a short time frame**

To effectively expand into the provision of affordable housing, community housing providers need to be able to generate sufficient revenue to sustain their operations and contribute to their own growth<sup>76</sup>. Strategies to build capacity in the community housing sector include the following. Many of these are reflected in NSW Government and national initiatives.

- Assist providers to obtain finance and planning approval for innovative projects.
- Provide up-front capital contributions, incentives and other support to the sector.
- Support providers to achieve scale economies by underwriting their development and financing risks through a mix of capital and recurrent subsidies.
- Develop organisational capabilities and improve the skills within providers, including in relation to governance, development financing, and project management skills.
- Manage financial and development risks through guidance, appropriate regulatory frameworks, and performance monitoring.<sup>77</sup>

#### **NSW Government initiatives to fast track the capacity of the community housing sector**

A key focus of the NSW Government's *Planning for the Future* strategy is developing the capacity of the community housing sector, including high performing growth providers. The ability to leverage on Government funds and their own resources is crucial to community housing providers' ability to deliver more low cost rental accommodation. Community housing sector industry development initiatives aim not only to support and strengthen the sector, but also to ensure that providers are better placed to attract private sector investment. An overview of NSW Government strategies to fast track the capacity of the sector follows.

#### **Regulation**

Amendments to the *Housing Act 2001*, passed by Parliament in October 2007, provide the framework for a new regulatory system for community housing providers, overseen by a Registrar of Community Housing. The new regulatory system aligns with a proposal for a national regulatory framework for large scale community housing providers that has been endorsed by all jurisdictions. This provides the necessary platform for the future development of the sector. The new regulatory system will commence in 2009. Community housing providers will need to be registered in accordance with the legislation to access NSW Government support, including funding, properties, land or partnership arrangements with Housing NSW. Organisations that currently receive NSW Government assistance will have up to two years to become registered.

A draft *Housing Regulation 2009* has been developed in consultation with an advisory group of peak organisations and experts. The Regulation sets out a regulatory code that registered community housing providers must comply with in relation to their provision of community housing. The regulatory code will assist stakeholders to manage the risks associated with the community housing business. The regulatory code aims to:

- Provide confidence to private sector investors and project partners that registered community housing providers are financially viable and sustainable organisations that are properly governed and managed.

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<sup>76</sup> Milligan, V., Phibbs, P., Fagan, K., and Gurran, N., 2004: *A practical framework for expanding affordable housing services in Australia: learning from experience*, AHURI Final Report No. 65, AHURI

<sup>77</sup> Milligan, V. et al, 2004: op cit.

- Secure for the Government and taxpayers proper assurance that the resources made available for community housing are utilised efficiently and effectively.
- Ensure that the sector provides appropriate and affordable housing that meets community standards and tenants' needs.

The regulatory code recognises the diversity of the sector and sets out four classes of registration, with each class subject to a different level of regulatory requirements, proportionate to the scale and complexity of the provider's community housing operations. The requirements are focused on key areas of risk in community housing business activities including tenancy management, community housing partnerships and initiatives, asset management, financial management, and housing development.

### ***Stock transfer and new supply***

Stock transfer refers to the transfer of properties from the management of Housing NSW to that of community housing providers. The 2003/04 - 2007/08 Commonwealth State Housing Agreement provided for the transfer of up to 2,500 properties from public to community housing – around 500 properties per year. A further program of 500 transfers was agreed for the 2008/09 year. Further stock transfers are being considered, to provide a substantial investment in the community housing sector.

New supply refers to new social housing properties acquired or redeveloped by Housing NSW. The NSW Government has committed to channelling a greater proportion of new social housing supply to the community housing sector. This will result in significant growth in the sector in the provision of housing to public-housing eligible households. In addition, the sector will be better placed to expand its capacity for affordable housing provision.

Housing NSW is currently considering the merits of community housing providers becoming the owners of title for properties that they currently manage on five year leases from the NSW Government. This would involve new contractual arrangements to ensure properties continued to be used consistent with Government policy and requirements. The ownership of title to an increased number of properties would significantly improve the asset base of community housing providers, and better place providers to borrow funds from the private sector for investment in new supply. Private lenders view an organisation with a strong asset base as a lower risk for investment. Title transfer is already being implemented as a strategy to support growth in the community housing sector in other jurisdictions and the United Kingdom.

- The Victorian Government is piloting title transfer to provide selected community housing providers with an asset base to leverage additional private sector funds for affordable housing projects. In 2008, title to 500 properties was transferred to the housing associations that managed the properties.
- In the Australian Capital Territory one community housing provider, Community Housing Canberra, is being developed as a major entity to provide affordable housing. The Government has increased the asset base of Community Housing Canberra by over \$40 million by transferring title to 135 properties (close to 50% of the total stock).
- In the United Kingdom, the large scale transfer of social housing from local government ownership to housing associations has enabled private sector finance to be sourced for investment in additional housing stock. In England, housing associations borrow funds from the private sector secured against their asset base of over two million dwellings. Debt financing from banks and building societies is now the main method of raising funds for social housing.

## ***Rent reform***

Community housing rents are subsidised to retain affordability, and low income households pay 25% of their income in rent. The NSW Government has made changes to the calculation of rents for households living in community housing, which commenced in July 2008 for most tenants. The rent reforms apply to community housing tenants in properties owned or funded by Housing NSW. The rent reforms aim to improve the viability of community housing providers, and thereby increase the amount and quality of housing provided for people in need, while retaining affordability for tenants. The additional revenue generated by the reforms will help to improve the sustainability of the community housing sector, and provide much needed resources to help the sector grow.

The first component of the rent reforms is to treat the Commonwealth Rent Assistance, which eligible tenants receive from the Australian Government, as a full rental supplement. Previously, Commonwealth Rent Assistance was treated as part of a household's income - the same as income support payments or earnings from employment. The rent reforms mean that all of the Commonwealth Rent Assistance that a household is entitled to is included in the calculation of a household's rent. The second component of the rent reforms is an increase in the proportion of Family Tax Benefit payments included in a household's rent from 11% to 15%, the same rate as public housing.

Financial analysis undertaken by Housing NSW indicates that approximately \$23 million per year in additional revenue will be generated when the rent policy changes are fully implemented<sup>78</sup>. The source of a large part of this revenue increase is Commonwealth Rent Assistance. Around \$14 million of this additional revenue will be used for the construction of approximately 40 new homes per year. This number will be higher if the additional revenue is leveraged to attract further investment from other sources. The remaining \$9 million of the additional revenue will be used to increase community housing providers' contribution to tenants' rental subsidies, and reduce the ongoing costs to the NSW Government.

## ***Industry development***

Housing NSW is developing a sector-wide NSW Community Housing Industry Development Framework. The Framework will identify priorities, responsibilities and resourcing, and outline a three year strategy for implementing industry development initiatives across the sector. The Framework will encompass a range of initiatives, including the following.

- A mentoring program, supporting capacity building in housing development and procurement. Resitech, the development managers for Housing NSW, will work directly with community housing providers in the development of specific sites to provide training and mentoring to staff and direct experience of the development process.
- Development of a capacity assessment matrix for use by providers to identify capacity gaps for their organisations and strategies to respond to those gaps. This is being developed in partnership with the NSW Federation of Housing Associations.
- Examination of the benefits of an international mentoring program that would bring experienced Chief Executive Officers of mid-scale not for profit housing providers from overseas to Australia. These mentors would provide advice to growth providers about how to effectively manage growth and change in business activity.

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<sup>78</sup> To date, the rent reforms have been introduced for all tenants of housing associations and for new tenants of housing cooperatives. For existing tenants, housing cooperatives are introducing the changes in conjunction with rental subsidy reviews.

- Implementation of shared service pilots that enable backroom services and functions to be shared between providers to deliver operational efficiencies.
- Analysis of business system support needs for the community housing sector. This includes identifying community housing providers information and communication technology needs and the pathways for supporting improvements in these areas.

The Australian Government has announced a range of industry development initiatives targeted at organisations that are in receipt of, or looking to apply for, National Rental Affordability Scheme (NRAS) funds. These include funding partnership facilitators to help develop NRAS arrangements and a clearing house facility for information such as financing and legal models. An overview of NRAS was provided in Part 3.1 of this submission.

In addition to Government initiatives to build sector capacity, there are a number of peak organisations in New South Wales that support the community housing sector.

- The NSW Federation of Housing Associations is the peak industry body for housing associations. The Federation is an active facilitator of the ongoing development of the sector, and the leading provider of social housing training in Australia.
- The Association to Resource Co-operative Housing (ARCH) is the peak resourcing agency for housing cooperatives. ARCH assists interested groups of people to plan, develop and establish housing co-operatives, supports the development of the co-operative housing sector, and provides training to the sector.
- The peak resourcing agency in the church-based community housing sector is Churches Community Housing Ltd (CCH). CCH provides practical assistance in developing community housing and has extensive experience in the provision of supported housing.

### ***Accreditation***

Accreditation is recognised as an important quality improvement strategy for community housing providers. National Community Housing Standards are in place which provide advice and guidance to organisations looking to introduce a quality improvement process. Accreditation involves the assessment of a community housing provider's performance with reference to the National Community Housing Standards, and plays a valuable role in improving the professionalism and performance of community housing providers.

The National Community Housing Standards were introduced in June 1998. Until 1 July 2008, Housing NSW administered the community housing accreditation system in New South Wales. With the development of a legislatively based regulatory role for Government in relation to community housing provision, it was determined that the accreditation service should no longer be government-delivered. Global-Mark Pty Ltd has been selected to become the NSW Government's recognised provider of community housing accreditation services in New South Wales.

### ***Cooperative housing sector strategy***

Housing NSW is currently developing a strategy for the cooperative housing sector which is part of the NSW Government's vision for building a diverse and flexible community housing sector. This is an opportunity to address viability issues and to ensure that cooperative housing contributes to, and benefits from, the growth of social and affordable housing.

Housing NSW is exploring the option of establishing an asset holding company, in consultation with the sector. This would be similar to a model operating successfully in Victoria, where the cooperatives program is managed by Common Equity Housing Ltd. An asset holding company could provide tenants with secure, appropriate, self managed

housing, while improving the cooperatives' financial management, and creating the opportunity to use the consolidated accumulated surpluses of cooperatives to support growth in the sector.

### **NSW Government planning reforms to expedite roll-out of affordable housing**

On 20 February 2009, the NSW Government amended the Infrastructure SEPP, as part of a package of reforms to deliver the Australian Government's Nation Building Economic Stimulus Plan. The changes allow Housing NSW to self-approve social housing developments of up to 20 dwellings and 8.5 metres in height in residential zones.

The changes also extend the area within which multi-dwelling and residential flat building social housing can be considered, regardless of the zoning of the land. Previously, multi-dwelling social housing could be considered within 800 metres of 18 key metropolitan railway stations throughout Sydney. The reforms extend this to include residential flat building social housing and to apply to all Sydney railway stations. The reforms also allow for multi-dwelling and residential flat building social housing to be considered, regardless of the zoning of the land, within 400 metres of the commercial centre of 32 major regional centres. This provides a new system to fast track social housing projects by enabling appropriate development to proceed without the need for re-zoning.

The NSW Government is developing a proposal to further streamline the State's planning framework, to expedite the roll out of affordable housing across metropolitan and regional areas of New South Wales by public, non-profit and private sector providers.



### 3.3 Strategies to attract private sector investment in low cost rental housing

There are a wide variety of approaches, both direct and indirect, that may assist to attract private investment in low cost housing. Examples of some of the approaches that can be taken to attract private sector investment include the following. Many of these are already reflected in NSW Government and national initiatives.

- Tax credit scheme – tax credits can be provided to landlords who provide lower-cost rental dwellings, thereby encouraging investment in the lower cost end of the market.
- Tax relief – special tax benefits can be directed at private landlords/investors who rent their dwellings to community housing providers.
- Consortium model – a capped Australian Government subsidy to the States/Territories could enable States/Territories to borrow to acquire dwellings to rent to low to moderate income households.
- Investment vehicle – equity investment could be pooled for the acquisition of rental dwellings to be managed by community housing providers, with government subsidies provided to ensure affordable rents while delivering the required return to investors.
- Capital gains tax partial exemption – partial exemptions to tax on the sale of affordable rental dwellings would encourage investment in the lower cost end of the market.
- Shared investment model – institutional investors could buy an equity share in a mixed pool of dwellings across the States/Territories. Private equity investors would receive their return in the form of a share in the growing capital value of the dwellings.
- Strengthening community housing providers – providing funding and capacity building opportunities for community housing providers can better position them to enter into partnerships with the private sector and attract private investment.
- Planning contributions - mandated private developer contributions to affordable housing outcomes can increase private sector investment in affordable housing in line with the scale of housing development more generally.<sup>79</sup>

The NSW Government has a number of initiatives in place aimed at attracting private sector investment in affordable housing. Most of the strategies referred to in the previous section on industry development for the community housing sector are aimed at better placing the sector to attract private sector investment. These include the following.

- The new regulatory framework for community housing, which aims to provide private investors with greater confidence in the sector and minimise risks to potential investors.
- Rent reforms which provide a greater ongoing income stream against which community housing providers can borrow.
- Stock transfer and the channelling of new supply through the community housing sector, which increases the sector's revenue and asset base.

Key NSW Government initiatives to attract private sector involvement in affordable housing are the debt-equity funding models and incentives that encourage partnerships between community housing providers and the private sector, and use of the planning system to facilitate private sector contributions to affordable housing.

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<sup>79</sup> Berry, M., Whitehead, C., Williams, P., and Yates, J., 2004: *Financing affordable housing: A critical comparative review of the United Kingdom and Australia*. AHURI Final Report No. 72, AHURI

## Debt-equity funding and incentives

As outlined in Part 3.1, the NSW Government has developed a debt-equity model for funding affordable housing, which is used in the funding of community housing providers through the Affordable Housing Innovations Fund (AHIF) and the National Rental Affordability Scheme (NRAS). Under the debt-equity model, the NSW Government provides up to 60% of a project's cost and a registered community housing provider provides the remaining funds through a combination of debt, its own funds, and contributions from partners. This stretches the Government dollar further.

The funding allocated through the AHIF is already demonstrating the success of the debt-equity model in attracting private sector investment and providing increased numbers of homes. In the first three rounds of AHIF funding, a total of \$22.9 million has been allocated through competitive tenders to fund the purchase or development of 181 new affordable rental properties. If Government had provided 100% of the funding only 80 units could have been purchased or developed.

- In the first AHIF funding round, \$3.4 million was allocated to two projects in Nowra and Artarmon. Acting alone, the Government would have been able to deliver only 12 properties. However, using the debt equity model the projects will develop around 40 new affordable homes. The NSW Government's \$3.4 million contribution to these projects was matched by community housing providers' contributions of \$3.15 million in equity, including a contribution of land from a local government and \$3 million in debt finance.
- In the second AHIF funding round, \$6 million was allocated to three projects to deliver 45 affordable homes in locations across Sydney, and also in Cessnock. 26 of the homes will be purchased and 19 will be newly built. The NSW Government provided only 51% of the project costs. The NSW Government's \$6 million contribution to the project was matched by community housing providers' contributions of \$3.7 million in equity, including a contribution of land from a local government and \$2.1 million in debt finance.
- In the third AHIF funding round, \$13.5 million was allocated to three projects to deliver 94 affordable homes in locations across Sydney, Newcastle and Shoalhaven. The NSW Government provided only 56% of the project costs. The NSW Government's \$13.5 million contribution to the project was matched by community housing providers' contributions of \$3.1 million in equity and \$7.7 million in debt finance.

As outlined in Part 3.1, NRAS provides an incentive to encourage private sector investment in affordable housing. The incentive is provided annually for ten years on the condition that the dwelling is rented to eligible low and moderate income households for at least 20% below market rates. The incentive provided under the scheme in New South Wales is comprised of a \$6,000 per annum Australian Government contribution in the form of a tax offset or grant payment, provided over ten years, and either:

- for registered community housing providers, a NSW Government upfront contribution of up to 40% of the capital costs of the project (NRAS A); or
- for all eligible organisations, a payment from the NSW Government of \$2,000 per year over ten years (NRAS B).

The fourth round of AHIF funding was allocated in conjunction with NRAS A. This means that the injection of NSW Government funding also combined with the Australian Government incentive of \$6,000 per annum over ten years. In the first round of NRAS A \$17.3 million from the AHIF has been allocated and, together with the Australian Government contribution and contributions from the private and community sectors, will deliver 175 new affordable housing dwellings. Acting alone the Government would have been able to deliver only 61 properties. The break-up of financing of the 175 dwellings is as follows.

- NSW Government contribution - \$17.3 million.
- Australian Government contribution - \$10.5 million.
- Equity from Community Housing Providers - \$9.5 million.
- Debt finance from Community Housing Providers - \$36.1 million.

In addition, in the first round of NRAS A funding, Australian Government incentives totalling \$6.72 million were secured for 112 dwellings previously funded by the NSW Government through the AHIF.

In the first round of NRAS B, comprising a \$6,000 contribution per year from the Australian Government and a \$2,000 contribution per year from the NSW Government over a ten year period, \$62.96 million in NSW/Australian Government funding has been allocated and, together with contributions from the private and community sectors, will deliver 787 new affordable rental dwellings. The break-up of financing of the 787 dwellings is as follows.

- NSW Government contribution - \$15.74 million.
- Australian Government contribution - \$47.2 million<sup>80</sup>.
- Contributions from private organisations - more than \$155 million.

In total, under the first round of NRAS, over 1,070 new affordable rental homes will be provided in New South Wales by not for profit and private organisations. The NSW Government will provide over \$33 million in new funding for NRAS A and NRAS B projects over 10 years and the private sector will contribute more than \$200 million as a mix of equity and debt finance.

## **Planning strategies to attract private sector investment**

A number of planning initiatives are in place or underway to help stimulate the provision of different types of affordable rental housing to meet the housing needs of households on low to moderate incomes.

### ***Existing use of planning laws***

The NSW Government and local councils use land use planning controls to actively promote growth in the provision of new affordable housing. Some examples of the use of planning instruments to facilitate the existing NSW Government affordable housing projects, which were outlined in Part 3.1 of this submission, follow.

#### ***St Marys development***

The St Marys Development is being undertaken by a Joint Development Venture: St Marys Land Holdings (the landowner) and Delfin Lend lease (the Developer). *Sydney Regional Environment Plan (SREP) 30 – St Marys* established the statutory planning framework and process for releasing land and approving precinct plans for development to occur on the St Marys site. The Minister for Planning is the consent authority for the release of land at St Marys, and has a role in ensuring that residential development on the land provides for diversity in housing mix.

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<sup>80</sup> The Australian Government contribution is provided as refundable tax offsets for most organisations and as a payment for charitable organisations. This figure is based on \$6,000 per dwelling per annum for ten years.

- A Development Agreement was signed between the Developer, the NSW Government and the local government in December 2002, which requires that 3% of residential lots be provided for the purpose of affordable housing.
- The Centre for Affordable Housing, within Housing NSW, was made responsible for negotiating and implementing the affordable housing component of the development. The lots are to be transferred to Housing NSW at the time of title registration, and in turn Housing NSW will transfer the lots to a selected community housing growth provider to develop and then manage affordable rental dwellings on the lot. Housing NSW will also provide part funding for the construction of the affordable rental dwellings.
- To date, one lot has been transferred and transfer of two further lots has been agreed. Over the life of the development, around 150 lots will be provided for affordable housing. The housing will be made available as affordable housing in perpetuity.

### *Rouse Hill Regional Centre*

The Rouse Hill Regional Centre development is on land owned by the NSW Government and is a regional retail centre and residential development. *SREP 19 – Rouse Hill Development Area* requires that the development shall provide a variety of housing in terms of type, tenure, price and location. Landcom, the project managers of the development, undertook a tender process to select a developer and masterplan for the site. The Development Consortium Lend Lease-GPT was selected.

- The Project Development Agreement, signed in 2002 between the NSW Government and the Development Consortium, requires that 3% of the land component for housing on the site be provided for the purpose of affordable housing. Based on the anticipated 1650 dwellings, some 50 lots will be provided for the purpose of affordable housing.
- The Centre for Affordable Housing is responsible for negotiating and implementing the affordable housing component of the development. Negotiations with the developer are underway and a project delivery agreement is expected to be finalised in the near future. Title to the affordable housing dwellings will be transferred to a selected community housing growth provider to manage in perpetuity.

Some local councils are also endeavouring to encourage affordable housing through use of the planning system. For example, Waverley Council's Affordable Housing Program<sup>81</sup> offers density bonuses to private developers in exchange for providing affordable housing for local households on low to moderate incomes in private residential developments. The *Waverley Local Environmental Plan 1996* and the *Waverley Development Control Plan for Multi-Unit Housing* define the density bonus. In return for the provision of affordable housing, either in perpetuity or for a specified duration, developers may increase the floor space ratio of their development and/or develop a larger building envelope. At the end of June 2007, 45 affordable dwellings had been generated through the program since its inception. All of the dwellings are managed by a community housing provider.

### ***Proposed Affordable Rental Housing Policy***

The NSW Government is developing a proposal to provide incentives for new affordable rental housing projects by the private and not-for-profit sectors. This will include projects that utilise support under initiatives such as the National Rental Affordability Scheme (NRAS). It is intended that the proposed affordable rental housing policy will include reforms to facilitate the provision of:

- boarding houses;

<sup>81</sup> See the Waverley Council website - <http://www.waverley.nsw.gov.au/council/pes/affordable.asp>

- secondary dwellings;
- group homes;
- dual occupancy, townhouses and residential flats; and
- accommodation and support services for homeless people.

### **Private sector involvement in homelessness programs**

The following are some examples of private sector involvement in the initiatives responding to homelessness, in New South Wales, other jurisdictions and internationally, that were outlined in Part 3.1.

- Common Ground unites business, government and philanthropy to deliver a long term housing solution for those who live on the streets. In America, Common Ground's Board of Directors includes representatives from the corporate sector and the organisation partners with government, not-for-profits and the private sector.<sup>82</sup>
  - Common Ground Sydney is a partnership that draws on the resources of business, government, NGOs and philanthropic organisations. Business organisations currently involved with the project include Grocon, Griffith Hack, Landers and Rogers, Minter Ellison, KPMG and Perception Partners. The City of Sydney, the Mercy Foundation and Baptist Community Services are also key partners in Common Ground Sydney.
- CRASH draws its support solely from the construction and property sectors in the UK. CRASH is made up of a comprehensive range of corporate sector patron companies which provide a range of support to the charity – from advice in the development and implementation of projects on a largely non-profit basis through to gifts in the form of building materials and construction services. The benefit of companies becoming involved in CRASH is the tax relief that is gained from the provision of gifts.<sup>83</sup>
  - In Sydney, the CRASH project involves builders and architects assisting formerly homeless people to fit-out their homes.
- The Foyer model has a focus on social partnerships between Government, the community sector and the private sector. Foyers provide accommodation in a way that encourages community and business participation. Business professionals play an important role in the local management of each foyer.<sup>84</sup>

The Australian Government's White Paper *The Road Home: A National Approach to Reducing Homelessness* emphasises the importance of harnessing the efforts of the broader corporate and private sector. As part of the implementation of the White Paper, the Australian Government will establish the Bea Miles Foundation to work in partnership with the business and corporate sectors to harness their efforts in reducing homelessness.<sup>85</sup>

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<sup>82</sup> See the Common Ground website - <http://www.commonground.org/>

<sup>83</sup> Information taken from the CRASH website - <http://www.crash.org.uk/>

<sup>84</sup> See the Foyer Foundation website – <http://www.foyer.net/mpn/>

<sup>85</sup> *The Road Home: A National Approach to Reducing Homelessness*, Commonwealth of Australia, 2008, Canberra

## **4. Barriers to growth in low cost rental housing**

There are a wide range of barriers to housing affordability, many of which are already being addressed by the NSW Government and nationally. Key elements of NSW Government and national responses to these barriers are outlined in Parts 2 and 3.

### **Privately funded low cost rental housing**

Barriers to the provision of affordable housing by private investors in New South Wales include the high costs of housing, which result in investors seeking high rent to yield the returns sought on investment. These include the high cost of land, construction and labour, as well as some Government costs and taxes. NSW Government initiatives aimed at reducing costs outlined earlier in this submission include planning reforms and changes to infrastructure levies.

A significant barrier to growth in the provision of affordable housing by private investors is the lack of Australian residential property trusts, or other similar investment vehicles. Residential property trusts are well established in countries such as the US and Japan. Residential property trusts allow pools of investors, from individuals to large organisations, to purchase shares of properties in a portfolio. Residential property trusts of large housing portfolios could be created which would include affordable housing. Superannuation funds would be ideally placed to invest in such property trusts.

### **Low cost rental housing and support to respond to homelessness**

Homeless people are a diverse groups, with a range of different needs in terms of low cost rental accommodation. It is important to recognise that a diversity of responses are required, including housing and support options targeted to particular client groups. Responses to homelessness need to address the wide range of factors that cause or contribute to homelessness. These can include mental health issues, drug and/or alcohol dependency, domestic and family violence, unemployment and family breakdown.

As mentioned in Part 2 of this submission, a National Partnership Agreement on Homelessness has been agreed by the Australian Government and all States/Territories. The National Partnership aims to reduce homelessness through initiatives in the areas of prevention and early intervention, breaking the cycle of homelessness, and a better connected service system. The National Partnership aims to contribute to the following outcomes.

- Fewer people will become homeless, and fewer of those that do become homeless will sleep rough.
- Fewer people will become homeless more than once.
- People at risk of or experiencing homelessness will maintain or improve connections with their families and communities, and maintain or improve their education, training or employment participation.
- People at risk of or experiencing homelessness will be supported by quality services, with improved access to sustainable housing.

There is a lack of low cost rental housing grouped with support services for people experiencing or at risk of homelessness, including frequent and high risk users of SAAP services. This includes women and children experiencing domestic violence, Aboriginal people, chronically homeless people including many single homeless men, and children and young people experiencing family breakdown. The development of low cost rental housing

and support options that address the needs of these client groups is a priority for the NSW Government. The National Partnership Agreement on Homelessness recognises that reducing homelessness requires targeting key groups. As outlined earlier, the NSW Government is currently developing a NSW Homelessness Action Plan, which will be the vehicle for giving effect to national initiatives in New South Wales to address homelessness under the National Partnership Agreement. The Action Plan will aim to respond to the needs of a range of priority groups including people who are sleeping rough, women and children escaping domestic and family violence, children and young people experiencing or at risk of homelessness, and Aboriginal people.

It is also recognised that people are particularly at risk of homelessness when exiting a range of institutions including correctional facilities (adult and juvenile), state care and mental health facilities. The Action Plan will include a focus on transitioning people from correctional facilities, statutory care and mental health facilities into appropriate long term accommodation.

The Action Plan will include a focus on improving access by homeless people to long term accommodation, with a focus on models that provide long term accommodation and support to homeless people, such as the Housing First and Foyer models discussed in Part 3 of this submission. The Action Plan also aims to improve access by homeless people to social housing and the private rental market.

### **Growth in the community housing sector**

The following barriers to growth in the provision of social and affordable housing by the community housing sector have been identified by Housing NSW. Addressing these could be a focus of future efforts to grow the stock of low cost rental housing.

#### ***Need for greater coordination of funding and programs***

It is important that support is provided to social housing tenants with complex needs, in order to stop problems from escalating, sustain tenancies and prevent homelessness. This requires the coordinated delivery of social housing programs with a range of government and non-government support services. Part 3.1 of this submission outlined a number of examples of successful projects delivering housing and support.

The community housing system has been successful in working with multiple partners and engaging them in supporting clients. Around 14% of tenancies in the community housing sector currently have a formal partnership arrangement whereby a household's support needs are met by a support service provider. However, in order to effectively grow the community housing sector so that it can continue to meet the needs of people with complex support requirements, further improvements to the coordination of housing and other human services are required. This includes improved coordination of program planning and delivery, as well as program funding.

The NSW Government is committed to improved coordination between housing and support services delivered by NSW Government agencies, as well as the non-government sector. The Housing and Human Services Accord provides an overarching framework for both government and non-government human service agencies to work in partnership to support the most vulnerable and disadvantaged in our community. Community housing providers also develop partnership arrangements through their own networks and processes. The NSW Government is also working to improve coordination with the Australian Government across a range of areas within its responsibilities.

### ***Current tax rulings***

Current tax rules favour affordable housing investment by community housing providers over private developers and investors.

The majority of community housing providers in New South Wales are Public Benevolent Institutions (PBIs). As organisations that provide services directly to persons in need of relief, community housing providers endorsed by the Australian Tax Office as PBIs are able to claim a number of tax concessions including input tax credits for GST costs incurred in the acquisition and management of new housing, income tax exemptions, and fringe benefit tax exemptions.

In order to claim input tax credits for the ongoing operational costs of housing and the capital cost of acquiring new housing stock, community housing providers must maintain rents on their properties at 75% or less of the market value of the property. The Australian Tax Office has indicated that the housing of moderate income households may impact on not for profit organisations with charitable status claiming exemptions for these properties.

The Australian Government has legislated to ensure that community housing providers are exempt from any impacts on their charitable status of housing moderate income earners in properties for the establishment phase of the National Rental Affordability Scheme (NRAS). The Australian Government's review of the Australian Tax System will consider options for the resolution of this issue by 2010/11.

### ***Need for an expanded asset base to attract private sector investment***

There are a wide range of NSW Government and national initiatives underway to expand the capacity of community housing providers and the resources available to the sector. Key initiatives outlined in this submission include:

- initiatives to improve the viability of the sector and grow the sector's role in traditional social housing, better placing the sector to attract private investment;
- the community housing rent reforms, which aim to secure increased ongoing rental revenue for the sector, including the full capture of Commonwealth Rent Assistance available to tenants;
- the debt-equity funding model which has already resulted in significant Government funding and private finance for new affordable housing projects; and
- NRAS which provides cash subsidies to providers of affordable rental properties.

A significant barrier to growth in the sector is the lack of access to a clear and predictable stream of funding for development. There remains a need for further expansion of community housing providers' capacity to attract private sector investment and take advantage of government and market opportunities that emerge. As outlined earlier in this submission, the NSW Government is currently considering the merits of transferring title of some properties currently owned by Housing NSW to the sector.

An enhanced asset base would improve providers' prospects for growth and capacity to leverage funds, better placing them to provide an expanded range of housing opportunities, target a wider range of clients, and use alternative rent setting models. The value of an expanded asset base would assist community housing providers to secure private sector investment, and the debt could in turn be serviced with income from the properties. Community housing providers would also benefit from capital gains on this larger pool of stock. A large asset base against which borrowings could be secured would also position



community housing providers to negotiate competitive borrowing rates from lenders. Other benefits of an expanded asset base include the following.

- The sector would be better placed to enter into partnerships with the private sector, as the result of having a strong balance sheet, enhanced management capability, and proven ability to manage risk.
- The sector would be well positioned to attract a greater share of incentives provided by the Australian Government and NSW Government, including incentives that are allocated nationally in competition with non-profit and private sector providers in other jurisdictions.
- A larger scale sector could stimulate greater private sector interest in the sector, including the involvement of increasingly larger investors.
- Providers would have greater scope to enter into large scale projects, and to achieve cost savings through economies of scale to lower the costs of procuring housing.

## **5. Strategies to avoid concentrations of disadvantage and grow cohesive communities**

A diverse housing mix is important to ensure geographic locations are not overly segregated according to demographics. Public housing developments have shown the problems that can arise if specific areas meet only the housing needs of a narrow socio-economic group.<sup>86</sup>

### **Public housing: concentration of assets and disadvantage**

Approximately 40% of public housing properties in New South Wales are located in areas with a concentration of public housing. Many public housing households function well, and most areas with a concentration of public housing have positive attributes and strengths. However, while the drivers of social exclusion lie outside the social housing sector, some public housing sites have become the localities where most of those marginalised from social and economic life are concentrated. Social exclusion is reinforced by this concentration.

There are a number of highly concentrated public housing sites in New South Wales, particularly in urban areas. These 'estates' were developed from the 1950s to the mid 1980s. The concentrations of disadvantaged people, poor access to services, and poor housing design and layout of these locations have contributed to social problems. Most areas with a concentration of public housing have poor health profiles, low levels of employment and education, and higher rates of crime than neighbouring communities. These outcomes reduce the quality of life for affected social housing tenants and are costly for Governments, the community, and the individuals themselves. Tenancy and asset management costs, levels of rent arrears, property damage and vacancy rates are high in communities where there is a cluster of public housing.

Social exclusion has an intergenerational dimension. There has been a rising incidence of public housing households containing no employed working age adults. Many of the children growing up in an environment of social and economic exclusion end up exhibiting poor school performance, truancy and poor literacy and numeracy. The result can be two or three generations of a family with no experience of participation in the workforce.

Significant social and economic costs are associated with communities affected by high levels of disadvantage. Investment in these communities may help reduce public spending over time by promoting better employment and education outcomes and reducing reliance on other public services. People and communities experiencing social exclusion are more likely to be affected by drug and alcohol abuse, child abuse and neglect, violence and crime, and to have increased vulnerability to both physical and mental health problems.

Changes to the stock of public housing requires significant expenditure and long lead times. Notwithstanding this, significant progress has been made in the integration of public housing into local communities. The NSW Government's efforts include the following.

- For new public housing, aiming for mixed communities wherever possible.
- Improving the physical environment of existing public housing sites.
- Assisting tenants to redress their disadvantage through tenant participation activities and measures to improve social outcomes.
- Redeveloping and renewing existing public housing sites, including breaking up concentrations of public housing and replacing these with a mix of housing tenures.

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<sup>86</sup> Senate Select Committee on Housing Affordability in Australia, 2008, op. cit.

Some examples of strategies being implemented to redevelop existing public housing sites follow. In addition, improvements are continuing across all public housing areas as part of the capital works program, tenant participation programs, and housing and support partnerships.

### ***Bonnyrigg Living Communities Project***

The Living Communities approach is an integrated response which has three core objectives:

- providing better services and opportunities for residents;
- building a stronger community; and
- renewing the houses and public areas.

The Living Communities approach has been applied in three large public housing areas to date, at Bonnyrigg, Minto and Airds. Further information on the Bonnyrigg Living Communities Project follows.

Bonnyrigg is one of a number of large public housing estates in Western Sydney built in the 1970s-80s using Radburn urban design principles<sup>87</sup>. The Bonnyrigg Living Communities Project was developed with the aim of making Bonnyrigg a good place to live - offering quality homes, facilities and services like the areas surrounding it.

Bonnyrigg Partnerships<sup>88</sup> has been selected to undertake the \$733 million redevelopment. The project will see the replacement of 833 existing social housing dwellings in poor repair with 2330 new homes. Of these, 699 (30%) will be social housing homes and the balance of 1631 homes will be sold to home buyers. The project also involves the building or purchase of 134 dwellings off site to ensure that the existing stock of 833 social houses is maintained. Public and private homes will be scattered throughout the 81 hectare site and will be indistinguishable. In addition, the development will involve construction of new high quality parks and public domain improvements, and the construction of a new community centre.

Bonnyrigg Partnerships is responsible for the finance, design and construction of all the new homes, as well as tenancy management and maintenance for the social housing on the site, communication and consultation services, and community renewal services. In October 2007, the management of the public housing was transferred to Bonnyrigg Partnerships and their specialist housing management team, St George Community Housing.

### ***Community engagement***<sup>89</sup>

The Living Communities approach has a strong emphasis on community engagement. This includes activities and processes that seek to inform affected people about the project, consult them about their views, involve them in decision making where possible, and provide opportunities and support for residents to participate in the project. This has entailed significant capacity building to provide local people with the skills and confidence to enable them to make a meaningful contribution to the project.

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<sup>87</sup> Radburn principles saw public housing estates built with dwellings oriented towards common space, the provision of vehicular access from the rear of properties, and isolated pedestrian walkways. Rather than facilitating neighbourhood and community interaction, Radburn principles created a physical environment which isolated public housing tenants.

<sup>88</sup> Bonnyrigg Partnerships comprises Becton Property Group Limited, Westpac Banking Corporation Limited, St George Community Housing Association and the Spotless Group.

<sup>89</sup> The report *Telling the Story: Community Engagement in Bonnyrigg*, available from Housing NSW, provides detail of the approach and key activities used for community engagement in Bonnyrigg.

Housing NSW managed all aspects of the project until its transition to Bonnyrigg Partnerships in October 2007, a period of almost 3 years. In that period, Housing NSW carried out extensive community engagement programs in partnership with Fairfield City Council. The Bonnyrigg project has demonstrated the value and importance of community engagement as a core project activity for large scale public housing redevelopments.

### ***Building Stronger Communities Strategy***

*A New Direction in Building Stronger Communities 2006/07–2010/11* was launched by the NSW Government in 2007, with a budget of \$66 million. The strategy is designed to bring together social housing residents, government agencies, community organisations and businesses in an integrated approach to improve housing, services and opportunities within particular geographical areas.

Building Stronger Communities is based on best-practice initiatives and aims to reduce the gap between disadvantaged social housing communities and the rest of New South Wales. The strategy was developed as a new initiative in community regeneration, signalling a better and more intensive approach to resolving problems and achieving lasting change within communities.

The strategy aims not only to address housing management issues, but also to work more closely with other agencies and businesses to break the cycle of disadvantage. The strategy is premised on the following principles.

- **Reducing disadvantage:** ensuring improvements to houses and public spaces, access to support services, and opportunities for employment and economic development that lead to sustainable improvements for communities.
- **Engaging with communities:** adequate resources need to be given to the planning processes that precede initiatives and local residents and service providers must be part of these processes to ensure success.
- **Respect and responsibility:** promoting an environment in which residents respect the needs and desires of others in their community and take responsibility for the social wellbeing and physical condition of their community.
- **Responsiveness:** housing upgrades, tenancy management and strengthening of the community will be integrated with the work of other agencies in priority locations. Cross-agency agreements will be developed to improve services and outcomes for residents.

Under the strategy, community regeneration is occurring in seven priority locations - Dubbo, Mt Druitt, Macquarie Fields, Claymore, Bathurst/Orange, Killarey Vale/Bateau Bay/Tumbi Umbi, and Wagga Wagga (Wagga Wagga was added as an additional priority location in November 2008). The priority locations were selected on the basis of the level of social and economic disadvantage, the extent of the housing problems in the location, and an assessment of each community's potential to take advantage of the strategy.

Building Stronger Communities aims to tackle deprivation and social exclusion through an integrated approach to both social and asset issues. Each location has a regeneration team including a Community Regeneration Manager, a Learning and Employment Coordinator, and a Community Development Worker. For each location, Housing NSW has or will be developing a Regeneration Partnership Plan, neighbourhood management structures through which social housing tenants will provide feedback and advice, and cross-agency agreements to focus services to the needs of residents in priority locations.

Local Regeneration Partnership Plans have been developed in the six original priority locations in consultation with tenants, local communities, government agencies and community stakeholders. The plans identify agreed priorities for physical improvements including upgrades to houses, parks, streets, and landscaping, capacity building and service development including to improve each community's access to support services, and learning and employment initiatives to create job and training opportunities for tenants.

Regeneration of the priority locations includes redevelopment, upgrade and renewal of some public housing, and improvements to public areas and infrastructure. The strategy has already achieved improvements in physical surroundings. Highlights include the following.

- An upgrade of The Rock Park in Macquarie Fields.
- New playground and sports equipment for parks in Orange/Bathurst.
- A street lighting upgrade in Bateau Bay.
- Establishment of a children's playground in Bateau Bay.
- Improvements to older people's centres in Killarney Vale, Bateau Bay and Tumby Umbi.
- Upgrade of Dubbo's Lunar Park to support greater use of the park by families living in the surrounding public housing area and the general community.
- Upgrade of the Dubbo PCYC (Police Community Youth Club). The project includes the provision of free bus transport by the PCYC to and from East Dubbo public housing area, and free club membership and reduced fees for East Dubbo residents.

Regeneration of the priority locations includes initiatives to upgrade housing and improve the mix of public and private housing. Examples include the following.

- The titling of properties in high concentration areas in Orange and Bathurst will allow sales of public housing properties to improve social mix.
- In Killarney Vale, Bateau Bay and Tumby Umbi, regeneration plans include:
  - targeted sales to residents and to the affordable housing market in identified areas, to reduce the concentration of social housing;
  - redevelopment of targeted sites to provide housing that better matches the current and expected future needs of local residents;
  - integration of private development suited to the area; and
  - the transfer of a number of Housing NSW properties in Tumby Umbi to a community housing provider.
- The Macquarie Fields regeneration includes plans to reconfigure private, public and common spaces to upgrade identified properties, improve security and increase amenity.
- A project to upgrade properties in East Dubbo aims to reduce social isolation by making it easier and safer for residents to move around their community.

Building Stronger Communities combines its assets focus with strategies to address social and economic disadvantage. A key element of the initiative is to broker the cooperation of business and government agencies to improve education, training and employment opportunities for social housing residents. Achievements to date include the following.

- Learning and employment projects in Mt Druitt are providing training in horticulture and construction and on-the-job experience to 48 Aboriginal residents. These training projects have led to 15 full-time work opportunities for local residents.
- Nine residents in Dubbo have gained jobs through partnerships with local employers, and one local lawn mowing business has started up.
- A Work Opportunity short course for women in Dubbo, in partnership with TAFE.

- In partnership with James Meehan High School, delivery of a Careers Program for Years 10-12 attended by large numbers of social housing residents from Macquarie Fields, which is being extended to the whole school in 2009.
- An Early Childhood Development kit for residents and agencies in Macquarie Fields.
- 14 students in Orange/Bathurst entering into training places.
- Partnerships with Centrelink and Job Network providers for training and employment opportunities for social housing residents in Killarney Vale, Bateau Bay and Tumbi Umbi.

### ***Other public housing renewal projects***

Other public housing renewal projects currently underway include the following.

- The One Minto Project is a joint project between Housing NSW, Campbelltown City Council and Landcom. The project involves the staged redevelopment of approximately 1,000 properties in Sydney's south west into 850 private dwellings and 350 public housing dwellings. The project will provide community facilities including new parks, a community centre and childcare facilities. The project incorporates three main areas of activity – physical redevelopment, tenancy support, and community development.
- The Airs Bradbury Renewal Project aims to renew Airs Bradbury so that it looks like the neighbouring suburbs with a mix of public and private housing. The project includes the upgrade of a number of public housing homes (many homes in the area have already been upgraded) and the sale of public housing to decrease the concentration of public housing in the area, including sales directly to tenants. The project will improve opportunities for residents by updating and implementing a People's Plan developed by the local community to address issues such as training and employment opportunities, improved transport, crime reduction, and strengthening community capacity and skills.
- The Redfern Redevelopment aims to revitalise the inner-city neighbourhood and help turn it into a welcoming community for more young families and the elderly. An existing public housing site at Morehead Street, built in 1953, will be transformed into terraced houses and seniors' accommodation as well as community rooms, common areas and gardens.

### ***Key lessons from Housing NSW's experiences***

Key lessons from Housing NSW's experiences in the renewal of disadvantaged areas with a concentration of public housing include the following.

- Renewal in disadvantaged areas needs to engage affected communities in meaningful ways to realise the objectives of improving outcomes for individuals and the community.
- Project goals, strategies and action are improved with the active input of those who know the place best and have direct experience of the problems.
- Efforts to overcome disadvantage require a multi-faceted approach that responds to a range of social and economic issues, including housing and infrastructure, community building and participation, access to services, and education and employment.
- Multi-agency approaches are necessary to ensure that the full range of assistance and support needs of households and communities can be addressed.
- Partnerships with local communities and the community and private sectors are required to tackle the entrenched and complex problems that exist in disadvantaged communities.
- Interventions in communities need to be sustained over sufficient time to enhance opportunities for individuals living in disadvantaged locations.

## **Affordable housing and social mix**

The experiences of public housing have demonstrated the importance of encouraging social mix. Affordable housing initiatives should aim to avoid the problems that have resulted from the concentration of public housing, and social mix should be a key objective of initiatives aimed at encouraging the provision of housing for low to moderate income households. This is already reflected in NSW Government affordable housing initiatives which aim to ensure that affordable housing contributes to the development of socially diverse residential populations in local areas.

## 6 Concluding comments

There is a considerable gap between the supply of low cost rental housing and the demand for housing from low income and moderate income households. This problem is particularly acute and sustained in some locations, including the high cost city of Sydney. Some rural and regional areas also experience considerable low cost rental housing shortages.

Those particularly impacted by housing affordability problems include the following.

- Low and moderate income households working in the inner and middle rings of Sydney who face high housing costs when they live in these areas.
- Households facing lengthy commuting times and other costs, including impacts on work-life balance, associated with the mismatch between the location of jobs and housing.
- Low income households experiencing housing affordability stress.
- Aboriginal households, who experience inferior housing outcomes compared to the broader population.
- People who are at risk of homelessness, including households who require integrated housing and support responses.
- People experiencing homelessness, who face limited housing options and require assistance and ongoing support to move into stable and affordable housing.
- Households living in locations with a concentration of low cost housing and disadvantage, where this concentration is further exacerbating the problems faced by households and the intergenerational transmission of disadvantage.

There are strong economic and social reasons for ensuring that adequate stock of affordable housing is available to low and moderate income earners. The polarisation of communities into geographic areas defined by income has impacts on the broader economy through a spatial mismatch between jobs and households.

At the same time, geographic divides between households in terms of incomes and social and economic participation further compound problems experienced by households and can exacerbate the inter-generational transmission of disadvantage. Strategies to expand the provision of affordable housing across New South Wales, with an emphasis on high cost locations, are important to redress these tendencies of the housing market.

Scarcity of affordable accommodation options also means that low income households may be at greater risk of homelessness. The provision of long term accommodation combined with support is the most appropriate way to support homeless people, and a lack of low cost rental housing limits the options available to assist homeless people into stable long term housing solutions. The availability of appropriate housing at the right time of an individual's need can be critical to combating homelessness.

There are a wide range of NSW Government and national initiatives already in place aimed at improving housing affordability and addressing homelessness. Some of these initiatives are relatively new and the full effect of their impacts have not yet been realised.

NSW Government initiatives to increase the supply of affordable housing are focused on expanding the role of the community housing sector. To date, new initiatives are already demonstrating success in growing the sector's capacity and expanding the resources available for affordable housing provision, including private sector investment. These include the Planning for the Future strategy to grow the community housing sector, as well as the Affordable Housing Innovations Fund (AHIF) and the National Rental Affordability Scheme (NRAS) which combine Government funding with investment from other sources.



It is hoped that this Inquiry will result in a useful report on policies and programs aimed at increasing the supply of low cost rental housing, to build upon these successful initiatives and inform future policy and program development.